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**The Other Cross of Gold: The United States and the Search for Global
Monetary Stability, 1867-1900**

Committee:

Mark A. Lawrence, Supervisor

H.W. Brands

Mark Metzler

George B. Forgie

James K. Galbraith

**The Other Cross of Gold: The United States and the Search for Global
Monetary Stability, 1867-1900**

by

John Taylor Vurpillat, B.A.; M.A.

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The Other Cross of Gold: The United States and the Search for Global Monetary Stability, 1867-1900

John Taylor Vurpillat, Ph.D.

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Supervisor: Mark A. Lawrence

This study examines the official diplomacy and transnational discourse surrounding the spread of the international gold standard between 1867 and 1900. The sustained nature of these exchanges among advanced and emerging economies of the period was driven by global deflationary pressures that coincided with dramatic monetary policy changes in Europe, Asia, and the Americas. As such, the diplomatic struggle between states that sought to alter the international gold standard and those that defended the emerging monetary status quo offers a clear window into the politics of nineteenth-century globalization. Between 1878 and 1897, the United States led efforts to modify international monetary relations by replacing the gold standard with an international bimetallic standard. The central object of US diplomacy was to change the gold standard policy of Britain. The nineteenth-century global economy was largely a creation of British policy and historical circumstances. A change in British policy, thus, implied a change for the entire commercial world linked to Britain.

I make two central arguments about these diplomatic events. First, that the US campaign for an international bimetallic standard was pursued with far more policy-

minded purpose than previous interpretations allow. Prior studies have judged most of these efforts as sideshows driven by the calculations of electoral politics rather than sincere responses to global economic conditions.

Second, I argue that the policy proposals embodied in US efforts emerged within a far broader, far lengthier transnational discourse than previous interpretations suggest. Past studies have portrayed the economic views that underpinned US diplomacy as peripheral ideas espoused by a minority far from the mainstream in economic thought.

Persistent US initiatives to alter international monetary relations through diplomacy ultimately ended in failure. This result, however, rested more on failures of politics than on the outré nature of international bimetallism and its advocates. At several key junctures, considerations of geopolitical rivalry and the constraints of political ideology in Europe overwhelmed US efforts. This failure left in place the deflationary pressures imposed by the gold standard until the late nineteenth century, when new gold discoveries provided exogenous monetary relief and removed the impetus for further diplomacy.

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Introduction: A Clockwork Globe Unhinged

*However the silver question may be decided, it cannot fail to be regarded in history as one of the most important public questions of our time.*¹

George A. Walker, 1877

The United States, the Gold Standard, and Nineteenth-Century Globalization

The floors of the crowded Chicago Coliseum rumbled and strained under the crescendos of applause directed at the young man speaking from the podium. It was the ninth of July 1896. That afternoon at the Democratic National Convention all the tensions and anxieties accumulated over decades of extraordinary economic development in the United States seemed ready to surge over the levees of tradition—ready to fracture long-standing societal assumptions and political coalitions that defined the second half of the nineteenth century. Americans, in the three decades since the Civil War, had experienced a remarkable period of change marked by new and interlocking patterns of economic development. Rapidly expanding manufactures brought international flows of capital and labor into the industrializing cities of the United States, creating new American wealth as well as new social dilemmas and nativist anxieties. New immigrants in unprecedented numbers not only manned urban factories but also built railroads, settled new agricultural lands, and helped pacify indigenous populations in the American

¹ George A. Walker, “The Belgian Monetary Documents,” *The Bankers’ Magazine and Statistical Register* (1849-1894) 12, no. 6 (December 1877): 420.

West. While citizens and public officials focused on controlling this region, turning it to productive purposes, and integrating it into the national economy, they watched warily as European states pursued similar economic advantages by means of renewed imperial expansion.

Change on this scale inspired both hopes and fears. Henry Adams, a keen observer of American life, wrote that the task was “so big as to need the energies of a generation.” It required new machinery, he continued, “capital, banks, mines, furnaces... together with a steady remodeling of social and political habits, ideas, and institutions to fit the new scale.”² In Chicago that summer, the Democrats, who had gathered to approve a platform and nominate a presidential candidate, faced a series of problems associated with these changes. How to restrain the worst practices of the railroads and other outsized corporations? How to protect the laborer and the farmer from downward pressures on wages and prices? How to preserve US prerogatives in the western hemisphere without following Europe down the path of imperialism?

However, the most pressing question—and the one which brought the crowded convention hall to jubilation—was the money question. What would be the standard of value for American currency, gold alone or gold and silver together? The answer of the Democratic Party (and the Populist Party) to the money question was gold and silver. Free silver, as this policy had been named in shorthand, called for the restoration of bimetallism—the unlimited coinage of silver currency alongside the unlimited coinage of gold currency in the United States. The United States had operated on a monometallic

² Henry Adams, *The Education of Henry Adams* (New York: Everyman, 1946), 240.

gold currency since 1893, and the US government had been paying its obligations in gold for much longer, since 1879. Both policies resulted from a political consensus carried forward mainly by the Republican Party. Republicans were determined to restore the United States government to conservative financial principles after the monetary exigencies of the Civil War. By 1896, however, the intervening decades had been marked by repeated cycles of economic boom and bust. To contemporary observers, the increasingly large investment banks that funded public and private enterprise seemed to be at the center of each successive downturn. What made matters worse, especially to bankrupted industrialists or indebted farmers such as those gathered at Chicago, was that banks seemed to profit even in the slumps, buying up assets of failed enterprises at bargain-basement prices. The banks, more significantly, profited by the appreciation of gold under the monetary demands of the gold standard, which made debts denominated in gold increasingly difficult to meet in real terms. American bankers and many political leaders championed the maintenance of the gold standard. Silverites, as proponents of free silver were called, stood in frank opposition to the gold standard and to the power and influence over policy seemingly possessed by the banks.

In Chicago that evening, the young speaker, William Jennings Bryan, age 36, conjured a stark rhetorical picture, linking free silver with prosperity and American tradition, while associating the gold standard with the Roman crucifiers of Christ. “You shall not crucify mankind on a cross of gold,” he concluded his speech defiantly. In a single stroke, Bryan electrified not only those present in the convention hall but also the entire political and financial world. During the presidential campaign the followed,

Bryan and his free silver gospel made the entire system of international finance tremble for fear that the United States, the world's largest destination for European investment, might soon devalue its currency and therefore all debt obligations. "The possibility of Mr. Bryan's election creates great insecurity," wrote one prominent London investment banker, warning that free silver threatened "a complete dislocation of the basis of [foreign trade and investment] between East and West."³

As such concerns suggest, these familiar events of American history were part of a larger international story during the first age of modern globalization. This dissertation demonstrates that American battles over the money question were one local aspect of a far greater, far lengthier global economic and political episode. Between 1873 and 1897, the United States engaged France, Germany, and Britain in diplomatic efforts to resolve global monetary instability. The United States advocated an international monetary agreement for the joint restoration of gold and silver currency by the leading commercial powers. *International bimetallism*, as this policy became known, was distinctly opposed to the bimetallism advocated by free silver advocates, which insisted on unilateral US monetary changes within an unstable global monetary environment. International bimetallism, alternately, promised to restore declining trade between gold-currency and silver-currency nations and to relieve deflationary pressures on prices by establishing a coordinated international monetary regime.

The pursuit of international bimetallism by the United States represents an underappreciated aspect of the well-documented standoff between free silver and the gold

³ London banker Joseph Herbert Tritton quoted in *Washington Post*, 27 July 1896.

standard in American domestic politics. Many contemporaries dismissed international bimetallism as mere political rhetoric designed to keep wavering silver advocates within the Republican Party camp during uncertain electoral contests. The international archival sources for this study, however, reveal a far different picture of the origins and outcomes of international bimetallism. First, the efforts of the United States to secure an international bimetallic agreement were pursued consistently for more than two decades by every administration from Rutherford Hayes to William McKinley. Second, and more important to the argument presented here, the policy ideas that became international bimetallism represented a well-developed strand of economic thought that emerged as early as 1867. It did so within an intensive transnational debate among academic monetary experts, leading European bankers, and policymakers over monetary questions posed by advancing global market integration.

Bryan's electrifying speech and the presidential campaign that followed marked the high point of the popularization and politicization of the money question both in the United States and across the commercial world. In the years before 1873, international aspects of the money question—what standard of value a nation should use as currency and to what extent nations ought to maintain currencies on the same basis—remained the province of private monetary experts. These people were both participants in, and theorists of, Europe's expanding financial markets. They pursued the rationalization of international monetary relations in the same spirit as other rationalizing projects of the age such as the international establishment of the metric system and the universal system

of weights and measures.⁴ These efforts reflected a broad transnational confidence in science, progress, and liberal economic thought that defined the greater European world in the mid-nineteenth century. As one theorist remarked to his colleagues, “The rapprochement between the economic interests of nations brought forth by improvements in commerce can be made even stronger by the benefits of the unification of currencies.”⁵ In this earlier period, money questions remained the preserve of such men—and remained obscure in public life even to many of the policymakers who often approved consequential monetary legislation.

The year 1873 changed all that. In what financial historian Charles Kindleberger has characterized as the first truly global financial crisis, a repeating cycle of economic busts began that seemed to touch all national economies involved in global trade and investment.⁶ The money question was popularized during the effort to understand the origins of financial crashes and depressions over the succeeding decades. With many regions, especially Germany and the United States, experiencing the dilemmas of large-scale industrial unemployment for the first time, the money question became a question of government action. What, if anything, should the government do to aid economic relief and recovery? Which monetary policy would foster stable prices and economic growth? In the United States, these were the touchstones for the conflict between gold

⁴ See, for further detail, Richard Olson, *Science and Scientism in Nineteenth-Century Europe* (University of Illinois Press, 2007).

⁵ French Foreign Minister, the Marquise de Moustier, addressed the 1867 International Monetary Conference, noting the connection between the spirit of the Universal Exposition and the object of the Conference, monetary unification. The translation from French is my own. See *Conférence Monétaire Internationale: Procès-Verbaux* (Paris: Imperial Government of France, 1867), 8.

⁶ Charles Poor Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises* (New York: Basic Books, 1978).

currency and paper currency factions during the Grant administration. Later, after 1875, they defined the standoff between gold currency and free silver factions in domestic politics. In the years between 1875 and 1897, proposals for international bimetallism moved first to the center of the American political debate and then, through US leadership, they moved to the center of great power diplomacy between the United States and Europe. The ideas that underpinned these efforts emerged among financially conservative economists and bankers familiar with the dynamics of the changing global economy. By the time William Jennings Bryan was nominated for president in 1896, international bimetallism was at the center of domestic policy debates and international diplomacy at the highest levels of government on both sides of the Atlantic.

International Bimetallism and Anglo-American Relations

*What has happened might perhaps be a lesson for the Americans and proof that they are not quite as independent from the rest of the world as they imagined.*⁷

– Alphonse de Rothschild, 1893

This study examines these transnational debates and diplomatic struggles over the international gold standard during the late-nineteenth century as a window into the larger process of nineteenth-century globalization. I argue that the emergence of the modern global economy during this period was shaped as much by politics and policy choices as

⁷ Alphonse de Rothschild to NMR & Sons, 7 September 1893, Family and Business Letters, T File Extracts, folder 3, entry 59, Rothschild Archive.

by immutable economic forces. In the globalization of markets, Great Britain, the leading commercial power of the era, most often made policy choices with little regard for communities in the emerging economies of the world, including the United States.

In the United States, these imbalances of economic power defined transatlantic relations and deepened regional tensions within the United States between an Anglophobic American West and a Northeast deeply enmeshed in British trade and investment. The United States, with its export-oriented agricultural frontiers and its ongoing reliance on British capital, retained many characteristics of an emerging economy late into the nineteenth century. In 1896, though Bryan's crusade for free silver ultimately fell short of victory, it did bring into sharp focus the problems posed by such globalizing linkages to Britain under the gold standard. Despite the well-documented excesses of populist rhetoric regarding the money question, there remained an ember of truth to the charges of economic enslavement posed by adherence to the British system. In Bryan's view, the Cross of Gold was imposed upon the American people not only by wire-pullers on Wall Street but also by Great Britain, the center of international finance and the world's leading gold-standard power. Bryan and other free silver spokesmen very deliberately drew connections between the influence of international finance and American distress. "There will be a declaration of war," said one free silver spokesmen. "The foe to be outlawed will be the money power and this generalization is designed to include... the capitalists of Europe."⁸ Bryan himself portrayed the deflationary

⁸ Free silver spokesman A.J. Warner made these remarks at the 1893 Populist Convention. Quoted in *New York Times*, 31 July 1893.

constraints of the gold standard in terms that echoed the outrages of British rule that sparked the American Revolution. “It is the issue of 1776 all over again,” he said to his Chicago audience. “Our ancestors, when they were but three million, declared their political independence of every other nation on earth. Shall we, when we have grown to seventy million, declare that we are less independent than our forefathers?”⁹ Despite the hyperbole of such sentiments, there was substance behind these charges. The necessity on the part of the United States to maintain good relations with the investment houses of London, in particular, guided US policy choices through successive Republican and Democratic administrations. The US effort to establish international bimetallism—and especially to involve Britain in that agreement—represented an effort by American financial conservatives to alleviate the pressures imposed by the British gold standard. British monetary policy was the *other* cross of gold that, alongside the domestic gold standard, significantly shaped the battle over the money question in the United States.

Historiography

Why did successive US administrations pursue international bimetallism so consistently? To what extent were US efforts driven by the realities of the ongoing integration of a global market economy, in general, and the spread of the international gold standard, in particular? Historians of American foreign relations have mostly neglected this important subject, likely for two reasons. First, the technical nature of

⁹ Quoted in “Bryan’s Great Speech: An Oration that Won the Presidential Nomination,” *Washington Post*, 11 July 1896.

monetary theory and economic discourse remains an obstacle similar to examining sources in an unfamiliar foreign language. Second, US efforts to establish international bimetallism ended with more defeats than clear victories. Therefore these developments do not fit well into narratives of growing US economic power and geopolitical influence in the late nineteenth century.

There have been, however, a few souls brave enough to address the question. The literature on the subject, produced many years ago, largely explains US efforts to establish international bimetallism as a matter of political expediency that emerged within the context of domestic politics of the late nineteenth century.¹⁰ This interpretation, for the most part, is a function of the sources employed, which in all three major works are confined to official US reports and government records regarding monetary diplomacy. The first two works, in chronological appearance, are also overly influenced by the contemporary politics of their times. Published in 1898, Henry B. Russell's *International Monetary Conferences* offers a journalistic account of these events from the viewpoint of a contemporary financial conservative. Russell places much of the blame for the failure of the US diplomatic efforts on the insurgency of American free silver populists. Published in 1933, "Silver Diplomacy" by Jeanette P. Nichols offers a brief overview that likewise indicts American actions for the failure of monetary diplomacy. Both studies reflect prevailing suspicions directed at monetary reformers in these periods. Debate on monetary questions intensified in parallel with the

¹⁰ Walter T. K Nugent, *Money and American Society, 1865-1880* (New York: Free Press, 1968). See also, Jeannette P. Nichols, "Silver Diplomacy," *Political Science Quarterly* 48, no. 4 (December 1, 1933): 565–88. Henry B. Russell, *International Monetary Conferences* (New York: Harper & Brothers, 1898).

economic depressions of the 1890s and 1930s. In both eras, conservative opinion favored orthodoxy in financial affairs and deprecated new and alternative economic policy proposals. These contemporary attitudes tended to reinforce the view, first raised in the 1890s, that American efforts to establish international bimetallism represented nothing more than domestic political maneuvers, rather than offering a practicable alternative to the existing international monetary regime of the late nineteenth century. Both Russell and Nichols also lack a thorough appreciation of the global sources of ongoing monetary instability during the period and the depth of intellectual discourse on the subject.

Though it only covers events through 1880, Walter Nugent's *Money and American Society*, published in 1968, offers a more balanced portrait of the global economic circumstances and geopolitical obstacles confronting US advocates of international bimetallism. In his coverage of the first two International Monetary Conferences, in particular, Nugent accurately depicts international monetary relations before the 1870s as a *de facto* system of international bimetallism rather than a single gold or silver monetary system. Before 1873, among the commercial powers, only Britain and Portugal maintained a gold standard currency; continental Europe and the United States had longer histories with silver or bimetallic currencies than they did with gold. Nugent demonstrates that international bimetallism was a realistic and sincerely pursued US initiative. In this sense, he presents the monetary world as it was before the first internationalization of the gold standard in the 1870s. Taken together, these studies offer an important, if incomplete, interpretation of the US pursuit of international bimetallism.

This dissertation reaches a different conclusion, based on international, multi-archival research. It shows that US monetary diplomacy originated in a far broader and lengthier transnational debate than previously understood, and it demonstrates that American efforts were pursued with far more policy-minded purpose than previous interpretations allow. Economic thought itself was changing rapidly in response to globalization and to new quantitative methods during this period. Likewise, in world politics, the rise of new imperial powers and the destabilization of the British world order gave urgency to the search for a monetary accord that might limit tensions over international economic competition. As the sources used illustrate, the pursuit of international bimetallism was never as peripheral to American foreign policymakers of the era as it has been to historians of US foreign relations. American statesmen pursued international bimetallism consistently because changes in monetary relations, then as now, could effect changes across the entire global economy, including the debt-deflation issues faced by the United States. This study, thus, places globalization—and the problems globalization presented—at the center of US foreign policymaking in the late nineteenth century.

Any study of international monetary relations during the late nineteenth century must engage with the considerable historiography generated on the subject by economic historians. The question of international bimetallism, to the extent it has been addressed, has been inseparably intertwined with questions about the spread of the gold standard beyond Britain beginning in the 1870s. These historical developments have been inseparable because conversion to gold standard currencies by successive countries

involved the simultaneous demonetization or restriction of silver currencies. In addition, these questions have been intertwined because the international gold standard slowly displaced a *de facto* international bimetallic monetary regime. In this regard, the pursuit of international bimetallism among the commercial powers late into the 1890s presents a problem for those economic historians who have argued that that international gold standard emerged inevitably out of the exigencies of expanding global trade or technological advancement.¹¹ To solve this problem, economic historian Barry Eichengreen, to cite just one example, has made a Kuhnian argument, suggesting that bimetallism persisted after midcentury despite the advantages of an international gold standard until the disadvantages of the prevailing bimetallic paradigm became so pronounced that countries were forced to abandon the prior regime.¹² A corollary to this argument raised in the work of Ted Wilson has been that the international gold standard emerged by default rather than by deliberate action and that the pursuit of international bimetallism, therefore, remained a futile effort throughout the period.¹³

A second line of argument, opposing this “inevitability of the international gold standard” argument, is represented in the works of Marc Flandreau and Giulio Gallarotti.¹⁴ In both cases, these economic historians emphasize that structural changes

¹¹ See, for example, Angela Redish, “The Evolution of the Gold Standard in England,” *Journal of Economic History*, 50: 789-805. For an overview, see Michael Bordo, “The Gold Standard: The Traditional Approach,” in Michael D. Bordo and Anna J. Schwartz, eds., *A Retrospective on the Classical Gold Standard, 1821-1931* (Chicago: University Of Chicago Press, 1984).

¹² Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 1998), 13-15.

¹³ Ted Wilson, *Battles for the Standard* (Hampshire: Ashgate, 2000).

¹⁴ Giulio M. Gallarotti, *The Anatomy of an International Monetary Regime: The Classical Gold Standard, 1880-1914* (Oxford: Oxford University Press, 1995). See also Marc Flandreau, *The Glitter of Gold:*

of the nineteenth-century global economy are insufficient to explain the emergence of the international gold standard and the demise of an informal bimetallic regime. While conceding the material advantages presented by currency uniformity in general—and the advantages of alignment with British monetary practices in particular—these historians contend that political and other non-economic factors played a significant role in the course of nineteenth century monetary relations. Regarding the limited results of efforts to reach an international bimetallic agreement after 1878, in particular, Gallarotti concludes that Britain failed to cooperate even though rational incentives dictated that an international bimetallic regime should have been constructed.¹⁵ This second line of argument seems to acknowledge the social and political complexities in which the question of international bimetallicism developed and the contingencies that produced the ultimate outcomes.

While acknowledging the contributions of both interpretations, the evidence presented in “The Other Cross of Gold” more readily confirms the second argument—namely that the fate of international bimetallicism rested much more on the contingencies of domestic politics and geopolitics on both sides of the Atlantic. This study finds, in contradiction to the inevitability thesis, that the pursuit of international bimetallicism did not represent the fragmentation of an outmoded monetary regime. It represented the opposite: a set of international monetary proposals that rose to policy questions at the highest levels of government as a result of new economic thinking and empirical study of

France, Bimetallism, and the Emergence of the International Gold Standard, 1848-1873 (Oxford: Oxford University Press, 2004).

¹⁵ Gallarotti, *The Anatomy of an International Monetary Regime*, 224.

the rapidly integrating world economy. In this view, insistence by Britain and others on the gold standard represented a set of economic arguments out of sync with economic realities between 1873 and 1896. Though Flandreau and Gallarotti emphasize the politics of the emergence of the international gold standard, their work is less focused on British motives, beyond the contention that Britain acted contrary to its rational interest. This study builds upon their emphasis on contingency and non-economic explanations of efforts to establish international bimetallism. It frames the pursuit of international bimetallism, however, as a question of US foreign policymaking and necessarily dwells on different points of emphasis than these economic histories. In doing so, it reveals a more detailed portrait of both sides of the long transnational debate and diplomatic struggle over the gold standard and international bimetallism that defined the late nineteenth century.

This study also offers new ways of viewing the broader debate over the nature of US foreign policymaking in the late-nineteenth century. To interpretations that emphasize the search for new markets abroad, this case adds a layer of complexity, demonstrating that efforts to defend the United States from global economic forces played a complementary role to the domestic economic imperatives that inspired the drive for markets.¹⁶ To interpretations that maintain that US foreign policy remained *ad hoc*, politicized, and amateurish prior to the 1890s, this case presents a distinct outlier,

¹⁶ For the exemplar search for markets interpretation, see Walter LaFeber, *The New Empire: An Interpretation of American Expansion, 1860-1898*, 35th anniversary ed, Cornell Paperbacks (Ithaca, N.Y: Cornell University Press, 1998). LaFeber built upon the Gallagher and Robinson-influenced thesis of open-door imperialism of his advisor, William Appleman Williams in *The Tragedy of American Diplomacy* (Cleveland: World Pub, 1959). See John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review* 6, no. 1 (January 1, 1953): 1–15.

marked by a consistent foreign policy informed by experts and acted upon by senior policymakers over two decades.¹⁷ A fresh examination of the global context of US monetary diplomacy thus expands our framework for understanding US foreign policymaking during this period.

Methodology

This study, foremost, is an effort to reinterpret a broad set of international sources in light of a deeper understanding of changing economic thought in the late nineteenth century. This period was a watershed moment in economics as the discipline underwent revolutions that paralleled the larger transformation of the sciences. Economics changed during this period from a branch of natural philosophy into a social science under the pressures of immense accumulations of real-world data and larger patterns of professionalization in the sciences. The economy envisioned by eighteenth-century philosophers as a kind of clockwork globe naturally moving toward equilibrium was being displaced by new data and new scholarship. The development of the monetary

¹⁷ To be sure, the pursuit of international bimetallism waxed and waned between the 1870s and 1890s. It was pushed more forcefully by Republican administrations than Democratic administrations. Nevertheless, as I argue, leaders from both parties were driven toward international bimetallism by the necessity for continued foreign investment in the United States and by the larger project of restoring the United States to orthodox financial principles following the Civil War. In this early stage of US efforts, bipartisan support in the Senate for international bimetallism represents an early indicator of the consistency of these efforts over two decades. For a concise restatement of the ad hoc view of US foreign policymaking during this period, see David M. Pletcher, "Economic Growth and Diplomatic Adjustment, 1861-1898" in William H. Becker and Samuel F. Wells, eds., *Economics and World Power: An Assessment of American Diplomacy Since 1789* (New York: Columbia University Press, 1984). See also, Robert L. Beisner, *From the Old Diplomacy to the New, 1865-1900* (New York: Crowell, 1975).

ideas and arguments favoring international bimetallism, especially refinements of the quantity theory of money emerged in this context.¹⁸

A second goal of this project is to view these events of international monetary relations, and US foreign policymaking generally, in light of recent research by economic historians who identify the late nineteenth century as a period of remarkable globalization—one that parallels the dynamics of contemporary globalization in our own time. These realizations have particular implications that my own research confirms. Foremost, the emergence of globalization in both periods resulted more from the interests and policymaking choices of the leading economic nations than from immutable world-historic forces. Though geopolitical stability among the Western countries and technological innovation made contributions to globalization in the age of steam and telegraph, the foremost drivers were the power and influence of Britain and British economic thought. In the late nineteenth century, the intellectual and political triumphs of classical economics and those interests that benefited from such policy changes, first in Britain, were crucial to the process. As Harvard economic historian Jeffrey A. Frieden has noted of the period, “Globalization was a choice, not a fact... Globalization needs supportive governments and supportive governments need domestic political support... The integrated world economy before 1914 rested on government actions to sustain it.”¹⁹

¹⁸ Alfred Marshall first published a treatise on money in 1875 and further developed his theory until the end of the century. See David Laidler, *The Golden Age of the Quantity Theory: The Development of Neoclassical Monetary Economics, 1870-1914* (Hertfordshire: Philip Allan, 1991). See also Philip Mirowski, *More Heat than Light: Economics as Social Physics* (Cambridge: Cambridge University Press, 1989). Joseph A. Schumpeter, *History of Economic Analysis* (Oxford: Oxford University Press, 1954).

¹⁹Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton & Company, 2007), xvii.

Though contemporaries never used the word globalization in their own discourse, its utility as a means of analysis outweighs anachronistic risks associated with its use. In the late nineteenth century, American experts and leading policymakers involved in the diplomatic pursuit of international bimetallism, from Senator John Sherman to President William McKinley, understood clearly the dynamics of global market integration we now characterize as globalization. This understanding, demonstrated in both their public and private utterances, gives further credence to the argument that international bimetallism was pursued consistently and sincerely by the United States because of ongoing global monetary instability and the dangers these global problems posed to the United States. Situating US monetary diplomacy both in the context of nineteenth-century globalization and in the context of a far broader, far more fluid transnational debate within economics has required me to reassess the significance of these efforts.

Implications

By looking at US, British, and French sources on the subject in light of these two points of emphasis, I draw new conclusions about US efforts to establish international bimetallism during this period. I argue, first, that US bimetallic diplomacy was part of a larger transnational debate over monetary policy than previous interpretations concede. Second, I argue that the ultimate failure of US diplomatic initiatives stemmed more from encroaching geopolitical priorities and political ideology than from the outré nature of international bimetallism itself. Finally, I argue that the diplomatic struggles over international monetary relations under the gold standard had significant consequences,

despite the ultimate failure of US efforts to establish international bimetallism. Chapter 1, “Transnational Origins of US Monetary Diplomacy, 1867-1878,” situates the policy ideas and arguments for international bimetallism in the context of rapidly changing European financial centers and the emerging tensions in economic thought between advocates of classical liberal economics and contemporary experts who were more familiar with the working realities of money markets. It also demonstrates why these initially European ideas were so readily taken up by advocates in the United States. Chapter 2, “The Fall and Rise of US Bimetallic Diplomacy in World Politics, 1878-1881,” examines the intellectual and geopolitical tensions that complicated the first efforts by the United States to rearrange international monetary relations under the gold standard. As this chapter demonstrates, bimetallic ideas and arguments found increasing intellectual acceptance among academics and policymakers, while imbalances of geopolitical power prevented an international monetary agreement during this period. Chapter 3, “Global Depression and the Challenge to the British Gold Standard, 1881-1891,” examines the people, ideas, and forces shaping the challenge to Britain’s monetary policy. Movement of British opinion on the subject resulted from both domestic and foreign efforts within the distinctly transnational context of world capital markets. Chapter 4, “Failing to Save the World: The United States, Britain, and Silver, 1889-1893,” assesses the ongoing global monetary instability left unresolved by the 1881 International Monetary Conference and the revival of bimetallic interest groups in the decade culminating in the Brussels International Monetary Conference. Chapter 5, “Reunion of Financial Conservatives, 1893-1900,” demonstrates the ways in which

global monetary problems under the gold standard and subsequent high level diplomacy over international bimetallism shaped Anglo-American rivalry and rapprochement in the middle years of the 1890s.

Taken together, these chapters trace the arc of US initiatives to establish international bimetallism. Over the long term, the question of international bimetallism as policy experienced surges of support in both Europe and the United States that most often coincided with periods of economic distress. Yet at the same time, international bimetallism witnessed a steady climb in status marked by increasing scholarly validation by new quantitative economists such as Alfred Marshall of Cambridge and Francis A. Walker of Yale. The disjuncture between the growing scientific acceptance of international bimetallism and the failure of policymakers to find agreement based on that acceptance suggests that US monetary diplomacy met with little success for reasons other than the merits and deliberate nature of US efforts. The power and influence of Britain as leading financial nation held ultimate sway over the fate of the international gold standard. Yet, as this study repeatedly shows, British policymakers clung to the ideas of the gold standard long after its limitations had been revealed by contemporary experience and by the findings of academic economists.

Beyond tracing the transnational origins and complex outcomes of US monetary diplomacy, this study also represents an important case study in late nineteenth century US foreign policymaking. The continued reliance by the United States on British capital markets late into the 1890s suggests one source of influence on wider US foreign policymaking during the period. The globalizing connections of foreign investment (and

export markets) shaped US deference toward Britain, in particular, and to the European powers, in general.²⁰ The ties of foreign trade and investment among American financial conservatives acted as a deterrent to hostile relations with Britain and Europe even as the United States emerged as the largest industrial economy in the world.

In this respect, the diplomatic struggles over international bimetallism illuminate the extent to which financial conservatism represented a deeply-rooted set of assumptions shared by Republicans leaders in the United States and Conservative Party leaders in Britain. These shared sentiments, especially in the wake of the radical monetary insurgency of William Jennings Bryan, prefigured and helped move the two nations toward diplomatic rapprochement. Shared financial conservatism, perhaps more than shared sentiments of Anglo-Saxon affinity or still-emerging geopolitical threats to Britain to which other interpretations have pointed, provides a more immediate and material rationale for renewed transatlantic good will that should be included in interpretations of this scholarly question.²¹ As just one measure of the importance of these shared financial principles, the most intensive growth period in Anglo-American trade and investment in the hundred years before the First World War occurred between 1896 and 1913, beginning with the election of William McKinley.²² Bilateral negotiations regarding

²⁰ Historian Jay Sexton has made this argument with great subtlety regarding US policy toward Britain in the antebellum period. See Jay Sexton, *Debtor Diplomacy: Finance and American Foreign Relations in the Civil War Era, 1837-1873* (Oxford University Press, USA, 2005).

²¹ For representative examples of each view, see Stuart Anderson, *Race and Rapprochement: Anglo-Saxonism and Anglo-American Relations, 1895-1904* (Fairleigh Dickinson Press, 1981). See also Bradford Perkins, *The Great Rapprochement: England and the United States, 1895-1914*, 1st ed. (New York: Atheneum, 1968).

²² Driven by foreign demand, agricultural prices in the United States rose 78 percent during this period. British foreign investment, most of which was destined for America, represented more than half of all British capital invested in the same interval. Figures quoted in Frieden, *Global Capitalism*, 16.

international bimetallism between the McKinley administration and the Salisbury government in Britain involved an extended exchange that confirmed shared transatlantic sentiments of financial conservatism. By 1900, economic conditions and Anglo-American relations had reached such a positive state that the United States set into law the same answer to the money question upon which Britain had for decades insisted: a national currency backed by the gold standard.

Chapter 1: Background to Danger: Transnational Origins of US

Bimetallic Diplomacy, 1867-1878

Fears have begun to be entertained by men of business that before long the principal commercial nations will be involved in a struggle for gold... The first cause of scarcity of the metal was the adoption by Germany of the single gold standard... Since then, we find that at least £150 million sterling has been taken away within the last few years. It is certainly not improbable that we may have a very great scarcity of gold before long, leading to a determined struggle between the chief banks of the more advanced nations to preserve their own reserves.

Saturday Review of Politics, February 1881¹

Introduction

The finest recent accounts by historians still characterize the nineteenth century in Europe as an era of remarkable peace.² And yet, in the years after 1873, the great powers of Europe, along with the United States, found themselves at war. Most contemporary observers agreed that the trouble began with Germany. The conflict escalated as the remaining powers took actions in self-defense. As circumstances worsened, white-hot debates erupted among politicians, editors, and international experts in the capitals of

¹ "The Threatened Struggle for Gold," *Saturday Review of Politics*, vol. 51, no. 1319 (February 5, 1881): 176.

² See, for example, T.C.W. Blanning, ed., *The Short Oxford History of Europe: Europe, 1789-1914* (Oxford: Oxford University Press, 2000).

Europe and America. In each, the debate descended into rival camps. One side agitated for unilateral action. The other pleaded for collective action among nations, arguing for an international conference to halt the conflict. The war did not end with clarifying victory for either side. The lessons of the conflict, therefore, remained ambiguous, blurred by restored peace and prosperity.

How could such a conflict remain obscured? Because, as readers may have surmised, the war was not a conventional one; it was a monetary war. It was a war for gold. Between 1873 and 1897 the leading commercial nations engaged in an ongoing competition to retain their national gold reserves while the spread of the international gold standard placed unprecedented demand on world gold supplies. The macroeconomic consequences were, in many cases, similar to war.³ Contemporary observers certainly saw the competition for gold and its consequences in martial terms. “That which is involved here is in reality a kind of warfare,” suggested one London monetary expert.⁴ In the United States, a respected financial journal echoed the language of war, calling the initial crisis “a general struggle among all the commercial nations of the world.”⁵ The analogy to war also shaped monetary discourse among those seeking

³ During this period, instability in the international monetary system persisted, contributing to deflationary pressures on prices worldwide, the disruption of currency exchanges and trade between countries on differing standards, as well as instability in credit markets. See, for example, Milton Friedman, *A Monetary History of the United States, 1867-1960* (Princeton: Princeton University Press, 1971). Also, the initial spread of the international gold standard during the 1870s occurred just as the era of unprecedented mid-century gold discoveries and rates of annual extraction declined. See, for example, Marcello De Cecco, *Money and Empire: The International Gold Standard, 1890-1914* (Oxford: Blackwell, 1974), 22-75.

⁴ Ernest Seyd to United States Monetary Commission, 12 Jan 1877, *Report and Accompanying Documents of the United States Monetary Commission*, vol. 2, 44th Congress, 2nd Session. Senate. Report, no. 703 (Washington: GPO, 1877), 110.

⁵ Samuel Dana Horton, “Specie Payments and the Double Standard,” *Bankers’ Magazine and Statistical Register* 11, no. 1 (July 1876): 1.

solutions, some insisting that “nations must act in self-defense” while others sought “a monetary peace” through international agreement.⁶ The gold competition among nations fostered worldwide economic disruptions leading directly to waves of popular discontent that raised the specter of revolution at home and intensified the search for markets and empire abroad.⁷

This chapter furthers the scholarly understanding of US foreign policymaking during the late nineteenth century by examining American responses to this era of global monetary instability.⁸ US officials and opinion leaders called for an international agreement that jointly established the major commercial powers on currencies backed by silver and gold at a universal ratio. International bimetallism, as this policy became known, presents an illuminating case study of US foreign policymaking for several reasons. Foremost, US diplomacy emerged amidst what economic historians consider the

⁶ See testimony of Benjamin F. Nourse in *Report and Accompanying Documents of the United States Monetary Commission*, 2:407. Samuel Dana Horton, “The Silver Bill in Congress,” *Bankers’ Magazine and Statistical Register* 11, no. 7 (January 1877): 530.

⁷ In the historiography of US foreign relations of the late-nineteenth century there is an enormous body of scholarship that has demonstrated the connections between trade, tariff policy, and the search for overseas markets. My argument can be seen as complementary to this line of argument. By focusing on less examined monetary aspects of US foreign relations, we see more clearly the constraints imposed by the spread of the international gold standard on the American debate between free traders and protectionists in the late nineteenth century. On one side, protectionism seemed to ensure the viability of the US gold standard by tilting international trade toward a favorable balance of payments for the United States. On the other side, the expansion of free trade seemed to promise economic gains and a level domestic economic playing field to producers in the American South and West. For the most recent and useful assessment of tariffs and free trade, see Marc-William Palen, “Foreign Relations in the Gilded Age: A British Free-Trade Conspiracy?,” *Diplomatic History* 37, no. 2 (April 1, 2013): 217–247. For a detailed account of domestic regionalism in the formation of US foreign policy during this period, see Peter Trubowitz, *Defining the National Interest: Conflict and Change in American Foreign Policy* (Chicago: University of Chicago Press, 1998).

⁸ My own views of the dynamics at work in American foreign economic policymaking during this period have been invaluabley shaped by the scholarship of Edward Crapol. See, especially, Edward P. Crapol, *America for Americans: Economic Nationalism and Anglophobia in the Late Nineteenth Century* (Greenwood Press, 1973).

first truly global financial crisis and depression.⁹ The Panic of 1873 most famously bankrupted the heavily indebted railroad firms of the United States. But it also revealed the ways in which financial contagion could spread through an increasingly global financial system. The pressure on the bourses of Europe resulted in a worldwide retrenchment of international lending.¹⁰

The policy of international bimetallism pursued by the United States had its origins in a far broader and lengthier transnational discourse than has been previously understood. In particular, it locates the advent of the policy ideas that became international bimetallism not within American governing circles, but in the broader circles of international finance centered in London and Paris.¹¹ This view also suggests that these ideas emerged much earlier than existing interpretations of US foreign relations have identified. The literature on the subject, sparse yet important, largely explains the origins of international bimetallism as US policy in terms of political expediency driven by domestic politics during the mid-1870s.¹²

⁹ See, for example, Charles Poor Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises* (New York: Basic Books, 1978), 130-132.

¹⁰ For an outline of financial retrenchment in the British Empire, see De Cecco, *Money and Empire*, 26-38.

¹¹ The emergence of international bimetallism as US foreign policy should be viewed as a direct response to the deflationary pressures imposed by the extension of the international gold standard after 1873. The intellectual arguments and policy ideas that became the basis for US monetary diplomacy were much more robust in Europe and especially in France, where the monetary policy changes of the 1870s displaced a long-standing and efficient bimetallic monetary regime. The European understanding of the global economic consequences were crucial to subsequent arguments taken up by American international bimetallists. My line of argument here follows on the important recent work of economic historians of Europe. See, for example, Marc Flandreau, "The French Crime of 1873: An Essay on the Emergence of the International Gold Standard, 1870-1880," *The Journal of Economic History* 56, no. 04 (1996): 862-897.

¹² For the most thorough and balanced example, see Nugent, *Money and American Society, 1865-1880*. The common interpretation may be a function of sources employed, which in all three major works are generally confined to official US reports and records. The first two works, in chronological appearance, were likely influenced by the contemporary politics of their times, published in 1898 and 1933 respectively.

This chapter establishes a very different picture. It situates US diplomacy within the complex, globalized economic environment of the era. The policies pursued by leading policymakers after 1877—President Rutherford B. Hayes, Secretary of the Treasury John Sherman, and Secretary of State William M. Evarts—first emerged in the market analysis of monetary experts working within the rapidly changing system of international finance centered in London and Paris during the mid-1860s.¹³ To be sure, the acceptance of these ideas among US policymakers rested partly on the extent to which they aligned with prevailing American financial principles and monetary policy.¹⁴ Nevertheless, the key arguments and policy proposals that came to define US monetary diplomacy make little sense without an understanding of the transnational discourse surrounding international monetary affairs during this period. Proposals for coordinated international monetary policy first emerged as minority opinions in European financial circles. These ideas spread outward, gaining acceptance with wider audiences on both sides of the Atlantic. This process, which advanced through a combination of changing global economic conditions and the conversion of key individuals, culminated with the

Contemporary attitudes tended to reinforce the view that US monetary diplomacy in the 1870s represented nothing more than a domestic political maneuver. See Nichols, “Silver Diplomacy.” See also Russell, *International Monetary Conferences*.

¹³ Hayes remained a reluctant administrator of official US monetary diplomacy, Secretaries Sherman and Evarts, however, appeared to be sincere converts to international bimetallism. Evarts subsequently served as the leader of the US delegation to the 1881 International Monetary Conference.

¹⁴ A bimetallic double standard and not the gold standard had been the statutory basis for US money since the Coinage Act of 1792, pushed through Congress by then Secretary of the Treasury Alexander Hamilton. The Coinage Act of 1873, however, placed the United States on the single gold standard, though the US would operate until 1879 on a de facto dual monetary standard that emerged during the Civil War. Under the de facto dual standard domestic debts including those incurred by the US government were payable in paper money and sovereign debt obligations to foreign lenders and international payments on trade were made in gold. For a complete discussion, see Friedman, *A Monetary History of the United States, 1867-1960*, 27-28.

American-led International Monetary Conference, which met at Paris in August 1878.

This chapter traces the arc of these monetary ideas as they were transformed from financial analysis to the intellectual basis of US diplomacy.

This diffusion and acceptance of international bimetallism by a series of increasingly important opinion-makers, interest groups, and government officials should be viewed as a remarkable success, especially given the obstacles such policies faced. On both sides of the Atlantic during the mid-nineteenth century, any adjustments to monetary policy confronted entrenched allegiances to the doctrine of the gold standard. Among the liberal economic ideals that underpinned mid-century global economic expansion, the gold standard stood above the rest because it possessed enormous practical and symbolic power.¹⁵ To contemporary adherents, the gold standard seemed to simplify international payments and spur trade between gold standard countries—and especially between emerging commercial nations and creditor Britain.¹⁶ Gold stalwarts, especially those in Britain, linked the unprecedented mid-century growth of the global economy to the gold standard.¹⁷

¹⁵ For the workings of the classical gold standard, see, for example, Gallarotti, *The Anatomy of an International Monetary Regime*. See also, Eichengreen, *Globalizing Capital*. For the symbolic power and political attachment to the gold standard in Britain, see, for example, P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London: Longman, 1993), 149-150.

¹⁶ Economic historian Steven Bryan has illuminated the financial exigencies and geopolitical interests that drove the extension of the international gold standard after 1890. Steven Bryan, *The Gold Standard at the Turn of the Twentieth Century: Rising Powers, Global Money, and the Age of Empire* (New York: Columbia University Press, 2010). See also Mark Metzler, *Lever of Empire: The International Gold Standard and The Crisis of Liberalism in Prewar Japan* (Berkeley: University of California Press, 2006).

¹⁷ In reality, the extension of the gold standard significantly disrupted existing trade relations between gold and silver standard countries by unfixing exchange rates under the international regime operating prior to 1873.

The gold standard also seemed to symbolize progress, strength, and civilization to each nation that followed Britain onto the preeminent monetary standard. In the face of such sentiments, advocates of international bimetallism built networks of influence that transcended national boundaries and narrow interest groups—encompassing producer interests, leading statesmen, and new quantitative economists in Europe and the United States. The US pursuit of international bimetallism represented an effort at postwar stabilization framed and shaped by American officials and experts operating within a transnational sphere of political discourse defined by financial, commercial and cultural connections with Europe. The success of international bimetallism, to the extent it made adjustment of international monetary affairs the object of great power diplomacy, rested partly on the efforts of this informal, transnational network of monetary experts and policymakers.¹⁸

By 1877, despite ideological and political obstacles, international bimetallism captured the imaginations of US policymakers. It did so not only because Americans began to engage seriously with the transnational debate, but as importantly because the United States remained financially dependent on European investment. The conversion to international bimetallism of banker August Belmont and the New York Chamber of Commerce that year attested to the ongoing importance of transatlantic financial

¹⁸ Historian Gregory Downs has usefully pointed out the limits of narrowly transnational methods of historical analysis, warning in particular that historians tend to find transnational networks when they go looking for them. In this case, however, it is clear that the monetary discourse that informed US policy emerged from a minority viewpoint advocated by particular individuals and transmitted through particular transnational linkages. See, for more detail, Gregory P. Downs, “The Mexicanization of American Politics: The United States’ Transnational Path from Civil War to Stabilization,” *The American Historical Review* 117, no. 2 (April 1, 2012): 387–409. Nevertheless, his argument for viewing the post-Civil War period in the United States through a transnational lens is very much in alignment with my own analysis of this question of monetary diplomacy.

connections.¹⁹ The emergence of US monetary diplomacy, therefore, can be viewed as a product of structural imperatives defined by the position of the United States in the global economy. Previous assessments have highlighted dire domestic political circumstances that pushed officials toward international bimetallism. The harder reality that drove them toward monetary diplomacy was the collapse of government debt refinancing operations abroad. Confronted with financial isolation, US policymakers tilted toward the arguments and policy proposals of international bimetallism.

The Triumph of the Gold Standard

The ideas that would become the basis for US monetary diplomacy amid the worldwide economic depression and monetary instability that began in 1873 were first articulated far from the corridors of power in Washington and long before the troubles of the period had been set in motion. Those ideas initially appeared in the European capitals of international finance, following the consequential work of the 1867 International Monetary Conference at Paris. The conference produced a broad international consensus in favor of the gold standard, urging all commercial nations to adopt the single metallic monetary standard.

The consensus of the Paris Conference reflected prevailing sentiments very different from the uncertainty that ruled the depression era of the late 1870s. While the

¹⁹ Belmont corresponded regularly with Secretary of the Treasury John Sherman, expressing his views on the financial markets and, by late 1877, his support for international bimetallism. See, for example, Belmont to Sherman, 7 Nov 1877, quoted in John Sherman, *Recollections of Forty Years in the House, Senate, and Cabinet* (New York: Werner Company, 1896), 491.

latter era was defined by anxieties surrounding international economic competition, the spirit of economic cooperation between nations predominated at Paris in 1867. The French foreign minister noted these sentiments in his opening remarks to the conference, declaring, “The rapprochement between the economic interests of nations brought forth by improvements in commerce can be made even stronger by the benefits of the unification of currencies.”²⁰ The Monetary Conference was held during the late spring, amid the opening of the 1867 International Exposition. Like the Exposition itself, which displayed the latest technological wonders and the exotic produce of expanding empires, the International Monetary Conference reflected the optimism and triumphalism of a world made new by self-consciously enlightened leaders.

The statesmen who drove the conference toward agreement on the gold standard certainly saw themselves at the liberal vanguard, civilizing society through rationalization and reform. The idea of a universal gold standard emerged within this longer historical process of rationalization of the world through application of scientific knowledge, which intensified during the mid-nineteenth century.²¹ The growth of global commerce, in particular, created problems that guided the liberal statesmen at Paris toward the gold standard. As one American editorialist in support of the conference argued, “The theory of national isolation is fast yielding to the unifying processes of commerce and travel...

²⁰ French Foreign Minister, the Marquise de Moustier, addressed the conference noting the connection between the spirit of the Universal Exposition and the object of the conference, monetary unification. The translation from French is my own. See *Conférence Monétaire Internationale: Procès-Verbaux* (Paris: Imperial Government of France, 1867), 8.

²¹ For a skeptical view of the transformation of economics into a social science see, Mirowski, *More Heat than Light*. For a general outline of the professionalization of the sciences in the American context, see Alexandra Oleson and John Voss, *The Organization of Knowledge in Modern America, 1860-1920* (Baltimore: Johns Hopkins University Press, 1979).

Some common medium of international exchange is an idea which has forced itself into notice by the increasing intercourse of nations.”²²

While the imperatives of expanding trade made the pursuit of universal money urgent, the determination of the conference to make that money gold rested on two separate and distinct factors. The first was the apparent abundance of gold itself; in the decades since the mid-century gold discoveries in California and Australia, the yellow metal had flooded into world markets.²³ The second reason the conference stood for the gold standard was the relative economic power of Great Britain. Britain, in 1867, was alone among the great powers in maintaining the monometallic gold standard; but the preeminence of British overseas trade and investment posed a powerful incentive to trading partners and rivals alike. The consensus that emerged at the 1867 Conference favoring a universal gold standard was, therefore, a creation of contemporary monetary realities and the prevailing economic assumptions that defined the greater European world in the age of Victorian globalization.²⁴

²² “International Money,” *The Independent* 21, no. 1081 (August 19, 1869): 8.

²³ Between 1848 and 1870 the amount of monetary gold in worldwide circulation nearly doubled as a result of gold discoveries, increasing from £400 million to £750 million, according to calculations made by Ernest Seyd. See, for reference, Ernest Seyd, *The Decline of Prosperity: Its Insidious Cause and Obvious Remedy* (London: Edward Stanford, 1879), 10. Data gathered by the US Monetary Commission on increases in monetary silver and gold combined seem to confirm these estimates. Between 1839 and 1870 the world monetary stock increased from \$1.42 billion to \$3.6 billion. See, for reference, *Report and Accompanying Documents of the United States Monetary Commission*. There was also a shared conception among contemporaries that these increases had underpinned the remarkable worldwide economic expansion between 1848 and 1873. As one London journal noted: “It will not be questioned that the large increase of the world’s money, due to the Australian and Californian gold discoveries, led to a great extension of the world’s commerce... The foreign commerce of England rose from £250 million in 1852 to £650 million in 1875; the foreign commerce of many other nations rose in like proportion.” Stephen Williamson, “The Discrediting of Silver,” *The Contemporary Review* 35 (April 1879): 121–31.

²⁴ While the term globalization has many useful definitions that reflect its complexity as a historical process, I use the phrase Victorian globalization in order to emphasize the preponderant role played by Great Britain in the economic integration of local, national, and regional economies into a single global

While the departing delegates to the Paris Conference looked forward to the realization of an international gold standard, a number of experts more familiar with the day-to-day workings of international monetary exchanges presented a more skeptical, worrying assessment of the plan for universal gold money. This group of dissenters counted many prominent figures as members, including banker Alphonse de Rothschild, future French minister of finance Léon Say, as well as English theorist and banker Ernest Seyd in London.²⁵ Among these, Seyd was the most articulate and prolific opponent of a common gold standard among nations. In London financial circles, he played two roles—one as partner in a lesser investment house, Seyd and Company and another as theorist of international monetary affairs. In this latter capacity, Seyd gained a reputation for the accuracy of his data and the nuance of his arguments. In London, he presented his work at the Royal Statistical Society, where he would later become a fellow, and his commentary on financial news appeared often in the *London Times* and other prominent

economy in the middle decades of the nineteenth century. I narrowly define globalization only to make my argument more precise and do not intend to preclude the complex processes of global interconnections over time. I view Victorian globalization as a distinctly metropolitan phenomenon, directed by the imperatives of the leading commercial nations, especially Britain. There is a growing literature on this view of nineteenth-century globalization. See Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Boston: MIT Press, 2001). See also A.G. Hopkins, "The History of Globalization and the Globalization of History?" in A. G Hopkins, ed., *Globalization in World History* (New York: Norton, 2002). Contemporary observers noted the intellectual consensus in favor of the gold standard that emerged from the 1867 Conference. See, for example, *Reports of the United States Commissioners to the Paris Universal Exposition, 1867* (GPO, 1870), 261-264.

²⁵ All three, among others, testified before the French monetary commission in favor of policies later described as international bimetallism between December 1869 and July 1870. For testimony, see Arthur Legrand (editeur scientifique), *Depositions Orales Faites Devant Le Conseil Supérieur De L'agriculture, Du Commerce Et De L'industrie: Dans L'enquête Sur La Circulation Monétaire Et Fiduciaire* (Paris: Imprimerie Nationale, 1872).

journals.²⁶ Beyond London, Seyd's reputation as a monetary expert led him to advise, on separate occasions, the governments of Britain, France, and the United States.

Ernest Seyd put forward three central arguments against the international extension of the gold standard and made one recommendation for an alternative in a series of books and pamphlets published in the wake of the 1867 Conference. First, in his 1868 treatise, *Bullion and Foreign Exchanges Theoretically and Practically Considered*, Seyd articulated the technical reasons in favor of the existing patchwork of monetary regimes rather than a single international gold standard.²⁷ He argued, in particular, that the countries operating on the bimetallic system together provided a balancing mechanism to world monetary supplies in periods of currency fluctuation caused by shortages or excesses of either monetary metal. "Whenever the value of the two metals altered, these [bimetallic] countries acted as equalizing machines. They took the metal that fell, and sold the metal that rose; and thus the relative value of the two was kept at the same point," explained *The Economist* of London.²⁸ This was the principle Seyd sought to express when he described the bimetallic system as "self-adjusting."²⁹ This

²⁶ Seyd presented his arguments against the universal gold standard to the Statistical Society on 15 February 1870; he was made a fellow of the RSS in 1874. Seyd was called upon in particular to analyze new German monetary laws after 1871. See, for example, Ernest Seyd, "The New German Coinage," *The London Times*, 27 November 1871. See also, Ernest Seyd, "International Money of Account," *Journal of the Society of Arts* 18 (20 May 1870): 599.

²⁷ Ernest Seyd, *Bullion and Foreign Exchanges Theoretically and Practically Considered; Followed by a Defence of the Double Valuation, with Special Reference to the Proposed System of Universal Coinage*. (London, E. Wilson, 1868).

²⁸ This language appeared in a September 1876 editorial in *The Economist*; quoted by American economists Francis Amasa Walker in his subsequent account of the 1867 Conference. Francis Amasa Walker, "The Monetary Conferences of 1867 and 1878, and the Future of Silver," *Princeton Review*, American Periodicals Series Online, June 1879, 28.

²⁹ Seyd, *Bullion and Foreign Exchanges Theoretically and Practically Considered; Followed by a Defence of the Double Valuation, with Special Reference to the Proposed System of Universal Coinage*, 658.

function of the bimetallic countries was a critical benefit to the world monetary system as a whole.

In his 1869 pamphlet, *The Depreciation of Labour and Property that Would Follow the Demonetisation of Silver*, the English theorist outlined a second argument, raising an explicit warning about the effects of the gold standard on credit markets. Seyd contended that the adoption of the gold standard by more and more countries implied the simultaneous demonetization of silver. The dramatic reduction of monetary reserves would engender a corresponding contraction in lending worldwide. “The most serious matter,” Seyd argued, “is the prospective abolition of \$2,550 million dollars of silver now current as coin. The \$2,550 million would be tantamount to thirty-eight percent [of the global money supply]. What would be the effect of this reduction on the contract basis as it now exists, and on commerce and civilization?”³⁰ In the same pamphlet and elsewhere, Seyd raised a third objection to the gold standard, arguing that its spread would place downward pressure on global commodity prices. These last two arguments both rested on the idea that changes in the total supply of money produced broader macroeconomic changes. This concept, revived in the second half of the twentieth century by advocates of monetarism, had been a prevalent idea in mid-nineteenth-century economic thought, outlined in the works of David Hume and John Stuart Mill before falling out of favor.³¹

³⁰ Seyd’s 1868 pamphlet on the fall of silver was later reprinted in Ernest Seyd, “The Demonetization of Silver: Its Evil Consequences and Ostensible Objects,” *Bankers’ Magazine and Statistical Register* 10, no. 11 (April 1877): 779–85.

³¹ For the outlines of the history of the quantity theory of money, see Carl Wennerlind, “David Hume’s Monetary Theory Revisited: Was He Really a Quantity Theorist and an Inflationist?,” *Journal of Political Economy* 113, no. 1 (February 2005): 223–237. For the modern revival by advocates of monetarism, see

Seyd, expressing the idea as changes to “the mass of the circulating medium,” made his arguments against the gold standard exactly on this basis.

These concerns led logically to specific policy recommendations in the mind of the English theorist. Seyd was among the first to advise American officials to pursue a diplomatic agreement establishing international bimetallism. In his 1871 pamphlet, *Suggestions in Reference to the Metallic Currency of the United States*, Seyd restated advice given to American legislators in correspondence.³² He noted that “the question of whether Germany will adopt the single gold valuation or the double valuation has not yet been decided... Here then rises the opportunity of some international agreement... If the United States and Germany come together, they have ample intelligence and sufficient power to determine and maintain the [bimetallic] issue.”³³

Concerns about the spread of the gold standard raised by Seyd and others most often met with skepticism. “We regard the scheme [of international bimetallism] as so entirely beyond the bounds of practical finance that we did not think it worth discussing,”

“The Quantity Theory of Money: A Restatement” in Milton Friedman et al., *Studies in the Quantity Theory of Money*, 1st ed. (University of Chicago Press, 1956).

³² Seyd’s advice was mentioned prominently in the floor debates in Congress that preceded the passage of the Coinage Act of 1873, which demonetized silver and established the gold standard (following resumption) in the United States. See United States. Department of the Treasury, *Documentary History of the Coinage Act of February 12, 1873*. (Washington: GPO, 1873). In an ironic twist, his appearance in the Congressional Record as an English banker advising Congress made him the prime suspect in the conspiracy to demonetize silver – the Crime of ’73 – later raised by silverite populists in the American West. For background, see “The Ernest Seyd Slander: Emphatically and Completely Proved False,” *New York Times*, 10 October 1896. See also, Richard Hofstadter, “Free Silver and the Mind of Coin Harvey” in Richard Hofstadter, *The Paranoid Style in American Politics* (New York: Knopf, 1966). Ernest Seyd, *Suggestions in Reference to the Metallic Currency of the United States of America* (printed for private circulation, 1871).

³³ Seyd, *Suggestions in Reference to the Metallic Currency of the United States of America*. 210-211.

declared *The Economist*.³⁴ The failure of bimetallic arguments to gain wider purchase in this period, however, rested more on the institutional strength of the gold standard and the prominence of its leading advocates. Most of all, the preeminence of British overseas trade and investment gave the gold standard an institutional authority that minority views could hardly match. Inside Britain, both parties in Parliament, the Bank of England, and the growing investment houses of the City of London, all confirmed and perpetuated faith in the gold standard.³⁵ Beyond British shores most institutions dependent on London credit also upheld the vision of the single gold standard.

The defense of the gold standard was carried forward most forcefully by leading economic figures, including William Stanley Jevons, Michel Chevalier, and Samuel B. Ruggles.³⁶ No leading figure who supported the gold standard loomed larger, however, than Walter Bagehot, editor-in-chief of *The Economist*. The magazine, which reflected the establishment faith in liberal economic virtues—free trade, *laissez-faire* government, and the gold standard—since it began publication in 1843, was the central ideological organ of the City of London and Walter Bagehot was its most articulate contributor. Bagehot popularized the lines of argument that defended the gold standard and attempted to delegitimize bimetallic reform. He argued that international bimetallism violated the

³⁴ *The Economist*, 20 December 1876, reprinted in Walter Bagehot, *Some Chapters on the Depreciation of Silver* (London: Longmans and Company, 1877).

³⁵ For details, see Youssef Cassis, *Capitals of Capital A History of International Financial Centres 1780-2005* (Cambridge: Cambridge University Press, 2006), 83-100.

³⁶ William Stanley Jevons, *A Serious Fall in the Value of Gold Ascertained: And Its Social Effects Set Forth* (London: Edward Stanford, 1863). Michel Chevalier, *On the Probable Fall in the Value of Gold*, trans. Richard Cobden (London: D. Appleton and Company, 1859). English economist William Stanley Jevons was, by the late 1860s, already renowned for his marginal utility theory. The shared views of Jevons, Chevalier, and Ruggles regarding the relative abundance of gold contributed to the gold consensus reached at Paris in 1867.

natural laws of value between silver and gold, adversely disparaged existing credit contracts, and remained impractical because it had never been attempted.³⁷

Taken together, the institutional strength and esteemed positions held by advocates of the gold standard limited the wider acceptance of bimetallic arguments in the period between 1867 and 1873. International bimetallism remained a policy suggestion, confined largely to financial circles. Looking back, the American economist Francis A. Walker noted that the public debate following the 1867 Conference “stigmatized silver as unfit for the money of civilized nations... It profoundly affected the public mind of Europe [and] put every bimetallist... on the defensive.”³⁸

The Fall of Silver and the Rise of International Bimetallism

Beginning in 1873, anti-gold standard arguments and alternative policy recommendations raised by advocates of international bimetallism moved rapidly beyond financial circles into a wider public discourse among commercial and political leaders. In a very short period, the analysis first articulated by Seyd and others became the basis for sustained interest-group agitation and the object of official government inquiries. These debates over monetary policy between 1873 and 1876 also spread beyond political boundaries, becoming questions of national importance in Britain, France, and the United States. It was during this period that American advocates began advancing international bimetallism as a basis for US monetary diplomacy. The rapid acceptance of the case for

³⁷ Bagehot, *Some Chapters on the Depreciation of Silver*. 114-118.

³⁸ Francis A. Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver,” *Princeton Review* (June 1879): 28.

international bimetallism rested on three interlocking developments: the onset of international depression after 1873, the collapse of world silver prices, and the apparent validation of predictions outlined by bimetallic advocates.

The spread and intensification of the depression after 1873 was, by virtue of its widely felt impact, the predominant contributor to the broader acceptance of international bimetallism. In the United States alone, half of all railroad firms entered receivership during the downturn, industrial enterprises failed, and unemployment rose at times to unprecedented levels.³⁹ In Europe, the aggregate rate of growth during the 1870s was less than one half of one percent, including years of negative growth in 1875 and 1879.⁴⁰

Though the nature of the depression remains contested among scholars, it is clear that multiple macroeconomic factors contributed to the intensification of the crisis.⁴¹ First, the global downturn represented the kind of extended debt crisis that typically follows financial crises; highly indebted industrial firms, agricultural producers, and

³⁹ There are no available statistics on unemployment for the United States in this period, though an examination of production across a number of sectors between 1873 and 1878 suggest that economic output declined by thirty-two percent. Employment likely fell in similar proportions. See Samuel Rezneck, "Distress, Relief, and Discontent in the United States during the Depression of 1873-78," *Journal of Political Economy* 58, no. 6 (December 1, 1950): 494–512. Horace White, a prominent Chicago editor, commented on the scale of unemployment, noting, "We see multitudes of operatives thrown out of employment, and soup kitchens established, and charities set on foot, to carry them through the weary time of revulsion." See Horace White, "The Financial Crisis in America," *Fortnightly Review* 19 (June 1876): 810–29.

⁴⁰ Recent scholarship suggests that aggregate GDP growth for Europe during the 1870s was .43 percent. Though the period is often understood as one of ever-increasing economic output, those increases were not constant over time and geographic space. These figures on the instability of aggregate GDP are drawn from Stephen Broadberry and Kevin H. O'Rourke, *The Cambridge Economic History of Modern Europe: Volume 2, 1870 to the Present* (Cambridge University Press, 2010), 31-37. These statistics, it should be remembered, are based on the available data collected by late nineteenth century observers and, therefore, should be viewed in approximate terms.

⁴¹ The nature of the economic downturn engaged prominent contemporaries and many economic historians since, including Alfred Marshall and Joseph Schumpeter, among others. For an overview, see A. E. Musson, "The Great Depression in Britain, 1873-1896: A Reappraisal," *The Journal of Economic History* 19, no. 2 (June 1, 1959): 199–228.

governments that did not go bankrupt in the initial panic struggled for years after to pay down or refinance debt.⁴² Second, the depression of the 1870s marked the beginning of decades of increasing downward pressure on commodity prices. By that period, the expanding use of steam-powered cargo ships and the construction of railroads had linked the vast agricultural interiors of the American Midwest, Eastern Europe, and the wider colonized world into competitive global commodity markets for wheat, corn, and other staples.⁴³ The result, according to historian Robert Tombs, represented one of three seminal events that defined the common history of Europe during the nineteenth century.⁴⁴ These shared experiences extended also to the United States, the largest single partner in European trade and investment. On both sides of the Atlantic, the initial onset of the global depression posed significant political consequences, turning liberal parties out of power in Britain, Germany, and the United States, and bringing more forcefully into politics the agricultural producers and industrial workers hit hardest by economic collapse.⁴⁵

The second interrelated development that advanced the spread of bimetallic ideas after 1873 was the dramatic fall of the price of silver in the money markets of London, Paris, Berlin, and New York. Beginning in early 1874, the world price of silver began an

⁴² See, for example, Carmen M Reinhart, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton: Princeton University Press, 2009).

⁴³ See, for example, Ronald Findlay, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium* (Princeton, N.J. ; Oxford: Princeton University Press, 2007). 402-411.

⁴⁴ Robert Tombs, "Politics" in Blanning, *The Short Oxford History of Europe. Europe, 1789-1914*, 10-15.

⁴⁵ In the United States, the ruling Republican Party lost partial control of government, defeated in the House of Representatives in the 1874 midterm elections and challenged for the presidency in the 1876 election. For details, see Eric Foner, *Reconstruction: America's Unfinished Revolution, 1863-1877*, 1st ed, New American Nation Series (New York: Harper & Row, 1988). See, for the worldwide consequences, C. A. Bayly, *The Birth of the Modern World, 1780-1914: Global Connections and Comparisons*, Blackwell History of the World (Malden, MA: Blackwell Pub, 2004), 455-456.

unprecedented and precipitous decline, falling more than 17 percent before 1878.⁴⁶

Before this period, the relative values of the monetary metals, silver and gold, had remained practically constant in the previous century. The fall of silver threatened the already faltering economies in many countries, first by disrupting exchange rates and trade between countries on differing monetary standards and second by threatening the value of national currencies backed by specie payments in silver. The latter fact raised anxieties among governing classes because silver prices, by 1874, had fallen below the statutory value at which many governments then minted silver into currency. Any government that continued to mint silver in this international monetary environment was threatened with dramatic reductions in national wealth. Under these circumstances, the normally reserved *Edinburgh Review* found it difficult to remain calm:

Silver has fallen twenty percent. Silver, one of the reigning metals, elected to be a standard of value on account of its stability from the oldest times, has undergone the fate of plebian ores... The financial world is in tribulation... The event is heralded with the usual accompaniment of such events in the present day – a deluge of pamphlets [and] an impatient cry for government action.⁴⁷

That cry for government action intensified public debate especially in Britain, France, and the United States, with a broader group of advocates calling for international bimetallism. In Britain, falling silver was both a commercial and imperial problem, discussed as much in the Foreign Office as in financial circles. “The [silver] question is one of real [and] practical importance to our Indian Empire,” one prominent London

⁴⁶ The silver price in terms of gold fell from 15.50 to 18.33 during this period. Figure cited in Russell, *International Monetary Conferences*, 135.

⁴⁷ *Edinburgh Review* (Oct 1876):501.

journal contended. “Silver has fallen so much that the Indian resident incurs a very serious loss on changing rupees for sovereigns. The Englishman trading with India suffers in the same way.”⁴⁸ By some contemporary estimates British revenues from trade with India and China had declined £10 million by 1876.⁴⁹ “The subject [of falling silver] is now spreading to other classes,” another journal reported.⁵⁰ Despite the institutional strength favoring the gold standard, the first success of bimetallic reformers nevertheless came in Britain with the establishment by Parliament of the Select Committee on the Depreciation of Silver in March 1876. The cry for government action, though limited, succeeded because it was concentrated within an influential circle of British merchants and officials managing the strategically important relationship with India.

In France, the public debate that followed the fall of silver was the most encompassing. It occupied the attentions of leading policymakers in ways that contributed significantly to the wider acceptance of bimetallic ideas outside of France. “The rapid and growing depreciation of silver is now becoming a matter of serious uneasiness to the governments [of Europe],” the American minister in Paris reported to Washington in early 1876. “I have thought it would not be uninteresting [for] you to know what solutions the most competent French economists propose for a crisis whose consequences might prove disastrous for the whole commercial world.”⁵¹

⁴⁸ “The Fall in Silver,” *Saturday Review* 41, no. 1063 (11 March 1876): 331–332.

⁴⁹ Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver.”

⁵⁰ *New York Times*, 20 March 1876.

⁵¹ E.B. Washburne to State Department, 27 March 1876, *Foreign Relations of the United States (FRUS) 1876* (Washington: GPO, 1931), 109.

The success of bimetallic arguments in France rested on both the relative institutional strength of bimetallism and on the reputation of its leading advocates. In terms of institutional strength, France, despite its support for the gold standard in 1867, remained the largest commercial nation adhering to the bimetallic standard. France had operated on the silver and gold standard for more than seven decades and since 1865 had been the lead nation in the Latin Union, a bimetallic monetary union that linked Switzerland, Belgium, Italy, Spain, Greece, and France in a common monetary zone.⁵²

The success of bimetallic arguments in France also depended on the prominent position of leading monetary reformers. This group included Bank of France president Gustave Rouland, finance minister Léon Say, and publisher Henri Cernuschi.⁵³ While Rouland and Say played a greater role in upholding the bimetallic standard within official circles, no French figure contributed more to the spread of international bimetallism beyond France than Henri Cernuschi. In particular, Cernuschi elevated the proposal for a diplomatic solution to the silver crisis – a congress of nations to establish international bimetallism. The coordinated action was imperative, in his mind, because the unilateral restoration of the bimetallic standard by any one nation would quickly drain a nation's

⁵² The Latin Union treaty was signed in 1865 and went into effect in 1866. Spain and Greece joined subsequently in 1868. The institutional strength of the bimetallic idea also rested on the reversal of pro-gold standard trends in policymaking that emerged with the fall of the Second Empire. Republican France elevated a cohort of monetary advocates who championed the French bimetallic standard and the bimetallic Latin Union. The determination to maintain the bimetallic standard that emerged from the 1874 Latin Union Conference demonstrated how far official policy had shifted since 1867. See, for reference, "The European Monetary Convention of January 1874," *The Bankers' Magazine and Statistical Register* 8, no. 9 (March 1874): 687.

⁵³ Leon Say held the post of finance minister through multiple administrations from December 1873 to December 1879, his recognized accomplishments during this period included refinancing and paying the Franco-Prussian war indemnity to Germany and removing barriers to internal French commerce.

gold reserves through international exchange.⁵⁴ The simultaneous restoration of silver currency was also the only means of increasing the aggregate demand for silver on the scale required to restore the metal to its historical value.

The success of the French bimetallist in placing the conference idea on the international agenda was based on his well-regarded reputation and position. Cernuschi, age 48 when the silver crisis swept French politics, was already a wealthy Paris banker, publisher of *Le Siècle* – a leading liberal journal, as well as an ardent republican renowned as a compatriot of Garibaldi in Italian unification.⁵⁵ His republican *bone fides* guaranteed him a place of prominence in the early years of the Third Republic. Cernuschi was tall, wore his dark hair long to his shoulders, and was brimming with energy, according to accounts.

His energy likely accounted for two other factors that contributed enormously to his success: his prolific publishing on the subject and his tireless travel to promote the cause of international bimetallism. Between 1874 and 1876, the French bimetallist published at least five pamphlets on the perils created by a single gold standard and the diplomatic solution to the crisis. These pamphlets were translated, published, and reviewed by leading journals in Britain, Germany, and the United States, helping spread the arguments for international bimetallism beyond France.

The reception by pro-gold standard publications was reliably dismissive, especially in London. As one such reviewer remarked, “M. Cernuschi’s faith in his cause

⁵⁴ Cernuschi to Nourse, 12 November 1877, quoted in “What Is Expected of Silver,” *New York Times*, 11 January 1878.

⁵⁵ “Cernuschi Arrives,” *Harper’s Weekly* (6 January 1877). See also *New York Times*, 11 December 1876.

is equal to his zeal and ability, but faith nowadays does not move mountains, and we believe it would be easier to remove all the mountains in England, than to expel [the] gold standard from our currency.”⁵⁶ Outside of financial centers, however, where falling silver resulted in unambiguous economic declines, the ideas of the French bimetallist were more warmly received thanks also to his tireless travel. In Liverpool, an English port city at the center of Indian trade, Cernuschi addressed commercial and scientific leaders in the fall 1876; later the same year he travelled to the United States to do the same. Through these efforts, Cernuschi came to be recognized as the leading advocate of international bimetallism. Fellow advocates credited him with coining the term bimetallism itself, replacing a number of less descriptive euphemisms.⁵⁷ In the early years of global monetary instability, Cernuschi pushed the idea of international bimetallism outside the bounds of financial circles, making its consideration the object of government policymakers in France and beyond.

In the United States, the fall of silver disrupted an already complex and heated political controversy over monetary dilemmas resulting from the Civil War. By mid-1875, when the silver crisis blossomed into a national debate, political battle lines had long since been drawn between financial conservatives intent on the resumption of specie payments and paper-money expansionists insisting on the perpetuation of Civil War fiat currency. After the market value of silver dropped below the level at which the government historically had minted silver, monetary expansionists rallied against the

⁵⁶ P.S. King, “Book Review: Silver Vindicated by Henri Cernuschi,” *The Academy* 237 (18 November 1876): 496.

⁵⁷ Horton, “The Silver Bill in Congress.”

recent demonetization of silver by Congress. Many monetary expansionists, seeing a new means to expand the money supply of the United States, hastily transferred their allegiances from the greenback crusade to the campaign to restore unlimited silver coinage – free silver – to the currency. To the ruling Republican Party, the first burst of silver agitation represented both an ideological challenge and a serious political threat to their majority status.⁵⁸

In this fraught environment, the arguments for international bimetallism and more specifically the proposal for a diplomatic conference spread by virtue of the conversion of key individuals and institutions. The three most significant contributors to the American campaign for international bimetallism were business executive George A. Walker of New York, publicist Samuel Dana Horton of Ohio, and Yale economist Francis Amasa Walker. Francis Walker was the most prominent figure among them. By the time of the silver crisis, he was already a renowned economist, a former Union officer, and commissioner of the US Census. Walker made the most eloquent and substantive arguments in favor of international bimetallism, focusing attention on international monetary relations as a functioning system. “From the moment the mechanism of the bimetallic system was broken, every transaction between silver countries and gold countries became involved in liabilities to disaster wholly in addition to the natural risks of business,” he contended.⁵⁹

⁵⁸ For background, see Irwin Unger, *The Greenback Era: A Social and Political History of American Finance, 1865-1879* (Princeton: Princeton University Press, 1968).

⁵⁹ Francis A. Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver.”

While Walker gave legitimacy to the arguments for international bimetallism, Samuel Dana Horton did more to publicize the new policy proposals than the others. Horton, age 32 when the silver crisis emerged in national politics, was a Harvard graduate and lawyer with a special interest in monetary affairs.⁶⁰ In Republican politics, he made his reputation speaking eloquently against the Greenback agitation. He made his national reputation as a monetary expert, however, with the publication of *Silver and Gold*, a pamphlet outlining the case for international bimetallism, in 1876.⁶¹ The *North American Review*, speaking in praise of the book, declared, “Perhaps no writer in this country on the silver question has more forcibly treated the subject than Mr. S. Dana Horton of Ohio.”⁶² Even as his publication drew Horton into a position of influence in the national debate, he was careful to note the influence upon him of leading European bimetallists. “It is to me a pleasure,” he said in a subsequent editorial “to be able to express my indebtedness to the conversation, criticisms, and suggestions of the most devoted living promoter of monetary peace in the world, [Henri Cernuschi].”⁶³

While Horton popularized the arguments of international bimetallism within the realm of public discourse, New York businessman George A. Walker played a crucial role influencing Republican policymakers. George Walker, an Assistant Secretary of the

⁶⁰ Horton’s interest in monetary affairs may be traceable both to his father’s opposition in Congress to the 1862 Legal Tender Act, which placed the United States on fiat paper currency. After the passage of the Legal Tender Act, the United States actually operated on a dual monetary standard, a paper standard for all public and private transactions and the gold standard for payment on government bonds and international accounts in Europe. See, for more detail, Friedman, *A Monetary History of the United States, 1867-1960*, 15-88.

⁶¹ The book was dedicated to his father, V.B. Horton, and quotes at length a speech Horton the elder gave in Congress against the Legal Tender Act. See, Samuel Dana Horton, *Silver and Gold and Their Relation to the Problem of Resumption* (New York: R. Clarke & Company, 1876).

⁶² J.S. Moore, “The Silver Question,” *North American Review*, April 1877.

⁶³ Horton, “The Silver Bill in Congress.”

Treasury during the Civil War, remained engaged in international financial affairs in the postwar period, translating a number of official foreign documents on European economic conditions for the American financial press.⁶⁴ In the silver debate, he helped build institutional support for international bimetallism; his editorials in *Bankers' Magazine* and the *New York Tribune* marked an intellectual shift, on the part of both publications, from the orthodox pro-gold standard position to one favoring international bimetallism.⁶⁵ In correspondence with *Tribune* editor Whitelaw Reid, however, Walker related his more consequential interactions with Republican policymakers in government.⁶⁶

With each of these examples, the connections between monetary theorists within European finance and a set of Americans with experience in world economic affairs begin to illuminate the intellectual lines of transmission by which international bimetallism was transformed from public discourse to policy in the United States. The result, by the campaign season of 1876, was the appointment of a US Monetary Commission authorized to inquire into the fall of silver and to make policy recommendations. The work of the Monetary Commission began the first serious discussion of international bimetallism in official circles.

⁶⁴ See, for example, "Book Notices: The Example of France: Two Essays on the Payment of the Indemnity, and the Management of the Currency Since the German War, 1870-1874 by Victor Bonnet," *The Bankers' Magazine and Statistical Register (1849-1894)* 10, no. 1 (July 1875): 62. Walker later served as US Consul at Paris after 1881. For biographical details on George A Walker, see Allen Weinstein, *Prelude to Populism* (New Haven: Yale University Press, 1970), 131.

⁶⁵ See, for example, George Walker, "Bimetallism in Europe," *Bankers' Magazine and Statistical Register* 11, no. 12 (May 1878): 850.

⁶⁶ Walker, in particular, mentions his interactions with Senator William Boyd Allison. See, for example, George Walker to Whitelaw Reid, 24 December 1877, Box 95, Walker, George file, Whitelaw Reid Papers, Library of Congress, Manuscript Division (hereafter LOC).

Between 1874 and 1876, arguments for international bimetallism gained ground on both sides of the Atlantic after the onset of falling silver prices. The spread of these ideas rested on the efforts of reputable advocates. In the United States, in particular, the conversion to international bimetallism of the American Social Science Association, which represented liberal reformers, and the *New York Tribune*, which shaped Republican Party opinion more broadly, represented important milestones on the path to official policy.

Radical Alternatives and the Authorization of International Bimetallism

Between 1876 and 1878 the arguments for international bimetallism were elevated from debating points in an evolving transnational discourse on monetary affairs to the basis for US diplomacy with the European powers. In this period, the conclusions reached by official government inquiries were released and publicized, intensifying the debate between defenders of the gold standard and advocates of international bimetallism on both sides of the Atlantic. By 1876, the downturn had defied the confident predictions of recovery made by leading economic figures. In this environment, international bimetallism advanced most thoroughly in the United States, where fears of radical monetary alternatives moved many prominent financial conservatives toward international bimetallism. Advocates of international bimetallism pressed their program among Republican policymakers, culminating in February 1878 with the passage by Congress of the Bland-Allison Act. The Act represented compromise legislation

designed by financial conservatives in Congress. It conceded little ground to free silver insurgents at home and authorized the pursuit of an international bimetallism abroad.⁶⁷

Before the free silver insurgency upended the course of events inside the United States, the transnational debate over monetary affairs focused on a common, recurring question: what caused the fall of silver? Advocates of international bimetallism made a simple yet detailed argument that the fall of silver resulted from the decline of aggregate demand for silver that followed the spread of the gold standard, especially after 1873. In July of that year, the newly unified German Empire enacted legislation beginning the conversion from a patchwork of currencies based on silver to a single imperial currency based on the gold standard. The problem posed by German conversion was one of scale. Even before political unification, the German states constituted the largest continental economy, representing forty-one million people using a silver standard currency. The replacement of so much silver currency raised anxieties in financial markets and policymaking circles alike.⁶⁸

Between 1873 and 1876, following German monetary changes, many governments limited or excluded silver from national currencies in anticipation of falling prices. In the United States, the 1873 Coinage Act demonetized silver and placed the country on the gold standard. In 1874, Norway and Sweden followed Germany onto the gold standard, closing their mints to silver. Later the same year, France restricted the

⁶⁷ For the most complete account of the regionalism, national politics, and passage of the Bland-Allison Act of 1878, see Weinstein, *Prelude to Populism*.

⁶⁸ When German monetary plans were announced in 1871, Ernest Seyd, speaking for British finance, asked, "If the Germans were able to carry out their intention of acquiring gold for the six hundred million thalers now in silver, what would be the result to us? The advent of a California [gold rush] for the benefit of one nation alone." Seyd, "The New German Coinage."

further coinage of silver in coordination with Latin Union countries. By 1876, as the fall of silver prices intensified, the Latin Union ended new silver coinage entirely. While swift action in official circles likely saved national treasuries from devaluation, each monetary operation further decreased the price of silver. By 1876, silver had fallen more than 17 percent.⁶⁹ These developments only reinforced the argument that the spread of the gold standard remained the root cause of falling silver.

As economic conditions intensified the debate over the fall of silver, proponents of international bimetallism still faced significant obstacles posed by the institutional strength of the gold standard. In Britain, by July 1876, the report of the Select Committee on the Depreciation of Silver was delivered to Parliament. The report's conclusion rejected the claim that the spread of the gold standard, beginning with German monetary operations in 1873, had been the singular cause in the fall of silver. The chairmen of the inquiry, Liberal Party MP George Goschen, admitted that "the Committee abstained from taking much oral evidence on this branch of the subject."⁷⁰ Furthermore, the report recommended no government action. "The real remedy [for the silver market]," committee witness Walter Bagehot later commented "is to leave the great natural forces of trade to operate unrestricted."⁷¹

⁶⁹ To observers, the resulting monetary instability showed no signs of ending, in part because Germany had yet to sell most of its stock of demonetized silver. *The Edinburgh Review* commented, "It would be indeed a signal service if the German government could be induced to remove so far as possible to remove the mystery which still surrounds the question of their disposable stocks." See "Report on the Select Committee on the Depreciation of Silver," *Edinburgh Review* 144 (October 1876): 501–35.

⁷⁰ *Report from the Select Committee on Depreciation of Silver* (Great Britain. Parliament. House of Commons, 1876), xxi.

⁷¹ *The Economist*, 15 July 1876, reprinted in Bagehot, *Some Chapters on the Depreciation of Silver*, 55.

In France, by 1876, bimetallic arguments about the fall of silver were also on the defensive—an outcome that rested more on the ongoing vulnerability of its bimetallic currency than on the institutional strength of the gold standard. In that year, France was forced by falling silver prices to close government mints to silver entirely. Noting this predicament, one economist later remarked, “[France] had declared most explicitly that in suspending the coinage of silver it did not take steps toward the single gold standard, but placed itself in a position to await events.”⁷² These dilemmas in France were emblematic of monetary challenges faced across Europe even among governments sympathetic to international bimetallism.

While international bimetallism was impeded in Europe, it gained significant ground in the United States between 1876 and 1878. It did so partly because the political landscape in America was more intensely shaped by the experiences of debt and deflation. In national politics, four factions competed to control monetary policy: defenders of the gold standard, advocates of international bimetallism, paper-money expansionists, and silver-money expansionists (see Table 1.0).

⁷² Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver.”

Table 1.0

Proposed Monetary Regimes in U.S. on Spectrum of Nineteenth-Century Financial Orthodoxy

← *Radical* *Conservative* →

Monetary Regime	Greenback Standard	Bimetallism or Free Silver	International Bimetallism	Gold Standard
Policy	Use of government managed paper currency without link to any commodity value as legal tender in the United States	Unlimited free coinage of silver and gold as legal tender and use of paper currency redeemed in silver and gold at ratio of 16 to 1 by U.S. government	Unlimited coinage of silver and gold and use of paper currency redeemed in silver and gold at ratio set by international treaty among leading commercial nation-states	Unlimited coinage of gold and use of paper currency redeemed in gold by U.S. government
Supporters	Greenback Party (1874-1888)	Populist Party – Silver Democrats – Silver Republicans	Republican Party (Reform Wing)	Republican Party – Democratic Party (before 1896)
Regional Strength	West and South	West and South	Northeast	Northeast

Paper-money expansionists appeared, to conservative observers, most radical since they advocated the permanent establishment of a national fiat currency. As members of the Greenback Party, they had already influenced electoral politics, helping Democrats depose the Republican House majority in the 1874 elections. The paper-money campaign, however, was already in decline by 1877 thanks partly to the rise of silver-money expansionists, who advocated free silver—the unlimited free coinage of silver as US currency. As falling silver prices placed the demonetization of silver at the center of national politics, the ranks of silver-money expansionists swelled, drawing defecting Greenbackers and many moderate Democrats and Republicans into the cause.

Both varieties of expansionist agitation represented responses to the ongoing pressures of the economic depression. Part of the reason the silver campaign burst so powerfully into national politics by 1877 was that, by then, the depression seemed unending, longer than any prior decline in the business cycle in the lives of most Americans. “During the past three years there have been mercantile failures with liabilities reaching nearly \$650,000,000,” remarked American editor Horace White. “What followed the panic, and what continues to this day, is the painful and impossible effort to pay a very large amount of indebtedness with a relatively small amount of capital.”⁷³

In this environment, financial conservatives in both parties grew increasingly alarmed. At stake, especially for the ruling Republican Party, was the largest postwar political project outside of Reconstruction: the restoration of government financial affairs

⁷³ Horace White, “The Financial Crisis in America.” *Fortnightly Review* 25 (1876): 810-829.

to conservative economic principles. In the United States, unlike elsewhere, advocates of international bimetallism and the gold standard were increasingly drawn together to halt the insurgency of monetary expansionists. The establishment by Congress of the US Monetary Commission, during the 1876 campaign season represented not only the first official inquiry into the fall of silver but also the beginning of an official shift toward international bimetallism.⁷⁴

To financial conservatives, international bimetallism seemed to offer an attractive solution to the problems of deflation and the report of the US Monetary Commission advanced the arguments for international bimetallism in several important ways. The report gathered testimony and data from all sides, including significant contributions by Seyd and Cernuschi. The energetic Cernuschi testified in person, travelling to the United States for the singular purpose of appearing before the Commission. In testimony over two days, the French banker and publisher forcefully advanced bimetallic arguments for the fall of silver and the need for an international conference as remedy. “My desire is that a general agreement shall be adopted by the different nations,” he concluded. Cernuschi, however, added a new corollary, arguing that short of diplomatic action if the respective nations could restore silver at the existing Latin Union mint value, the cumulative effect would represent a *de facto* international monetary agreement.⁷⁵ The

⁷⁴ The commission was the work of moderate silver monetary expansionists in the House. The resolution passed in both chambers with the votes of these moderates who sought a solution and financially conservative Republicans who wished to keep it out of politics. See Weinstein, *Prelude to Populism*, 122-123.

⁷⁵ The Latin Union mint ratio was 15.5 to 1 while the prior US mint ratio was 16 to 1. Cernuschi and others argued for the restoration of silver at 15.5 to 1 to encourage an end to minting restrictions in

proposal to create such a large monetary zone between the United States and the Latin Union countries by so simple an alteration of law appealed not only to American silver-money expansionists but also to international bimetallists who saw a means to end global monetary instability. As the *North American Review* noted sympathetically, “It must be obvious that if such a powerful combination should agree to make the ratio of silver to gold, say 15 ½ to 1, all future fluctuations of silver would cease.”⁷⁶

Though the subsequent findings of the US Monetary Commission largely reflected the policy recommendations of silver-money expansionists in Congress, the ideas of international bimetallism significantly shaped the final report. The majority report called for silver restoration at the Latin Union mint ratio of 15 ½ to 1, as Cernuschi had advocated. The majority report also concluded that the fall of silver had been caused by changes to monetary policy that followed the German conversion to the gold standard. Though the Commission did not endorse a diplomatic conference to coordinate monetary policy, international bimetallism was advanced significantly by the acceptance of these conclusions in the final report of the Commission.

Arguments for international bimetallism advanced further in the United States than in Europe partly because of American structural dependencies within the system of international finance. In particular, by late 1877, threats posed to US government debt refinancing operations hastened the official shift toward international bimetallism.

During the campaign season that year, a wave of discontent swept silver-money

bimetallic countries. For the full testimony of Henri Cernuschi, see *Report and Accompanying Documents of the United States Monetary Commission*, 2: 473-511.

⁷⁶ Moore, “The Silver Question.”

expansionists from all parties into Congress, making legislative action all but inevitable the following year. Emboldened free silver men already in Congress decided not to wait a moment further, passing a bill for the immediate restoration of silver by overwhelming majority on 5 November 1877.

What disturbed Republican leaders most was the number of votes in favor cast by their own party. The triumph of silver remonetization in Congress posed a direct threat to Republican efforts to restore the government to conservative financial principles. To ensure the success of specie payments, as the Resumption Act of 1875 mandated, the Treasury Department had been busy refinancing government debt with new bonds designed to secure gold reserves large enough to facilitate payments. By making all government debts payable in devalued silver, the bill in Congress threatened these important operations. Secretary of the Treasury John Sherman expressed the anxieties of the administration: “Already the agitation in Congress has crippled this department very much... I only fear that the premature action of Congress will defeat our plans for resumption.”⁷⁷ The sentiments of Sherman did not represent idle fears, but real-world consequences, as reactions to Congress from bond markets indicated. In the London market, the price of US government bonds dropped before sales were halted altogether. N.M. Rothschild and Company, then a key subscriber in US refinancing operations, declared in correspondence with the US Treasury agent that it was urgent for the

⁷⁷ John Sherman to Horace White, 5 Nov 1877, Box 606, Letter Press-Copy Books v. 2, John Sherman Papers, LOC.

American president to announce a veto threat of the silver bill if the credit of the United States was to be saved.⁷⁸

By late 1877, the urgent necessity to maintain the public credit of the United States government imposed a particular logic upon the thinking of financial conservatives that moved US officials toward a policy of international bimetallism. Sherman publicly stated the importance of this thinking during the crisis: “There is no tradition of the national government more sacred than that which holds it to a rigid, faithful observance of the public [credit]. It is by this alone that we are able to sell our bonds... The confidence thus inspired and thus evidenced is the best property of the nation, worth more in times of adversity than all the gold and silver that can be accumulated.”⁷⁹ This necessity to maintain the good credit of the United States hastened the conversion to international bimetallism of key public figures and policymakers, including Samuel B. Ruggles and August Belmont of New York, as well as Treasury Secretary John Sherman and Senator William Boyd Allison.⁸⁰

While Ruggles and Belmont represented influential shifts toward international bimetallism outside government, the conversion of Secretary John Sherman and Senator William Boyd Allison were the most consequential changes among those in positions of

⁷⁸ Sherman received regular updates from Treasury Agent Charles Conant in London in a series of letters that fall. See, for example, John Sherman to Charles F. Conant, 24 Nov 1877, Box 606, Letter Press-Copy Book v. 2, John Sherman Papers, LOC.

⁷⁹ John Sherman, “Opinion of Secretary Sherman,” *North American Review*, December 1877.

⁸⁰ “Need of a Monetary Conference,” *New York Times*, 12 September 1877. In correspondence to Secretary John Sherman, Belmont pleaded for amendments to the silver bill that would provide for an international monetary agreement: “We might then arrive at the passage of a bill for the appointment of a half a dozen, or a dozen, scientific and practical men to meet an equal number of experts on the part of the Latin Union in conference.” Belmont to Sherman, 29 November 1877, quoted in Russell, *International Monetary Conferences*, 183. See also, Sherman to Belmont, 14 September 1877, Box 606, Letter Press-Copy Book v. 2, John Sherman Papers, LOC.

power. Sherman, by the time of the crisis, was already the most important Republican voice on matters of national finance.⁸¹ Sherman, age 54, was also a shrewd politician and was most responsible for steering the Republican Party toward a moderate policy course at a time when many fellow Republicans argued for a combative defense of the gold standard. In the 1877 annual report from the Treasury, Sherman struck a conciliatory tone toward silver-money expansionists, endorsing the use of silver as subsidiary coinage and calling on Congress to pursue an international monetary conference.⁸² These public stands by Sherman moved the policy question of international bimetallism within range of acceptable political discourse on monetary questions, giving cover to many more financial conservatives in Congress looking for a compromise solution.

While Secretary Sherman contributed his considerable reputation to the moderate alternative offered by international bimetallism, Senator Allison of Iowa was most responsible for securing the specific amendments in Congress that made international bimetallism official US policy. Allison, age 48, had been a reliable advocate of railroad and banking interests since entering Congress in 1862. That reputation as a stalwart of Republican economic policies contributed to his rapid rise to chairman of the Senate Finance Committee by 1877, only four years after entering the upper chamber. Though renowned as a financial conservative, Allison—as a representative of the West—was also more sensitive to the problems of debt faced by agricultural producers than many of his

⁸¹ Sherman played a lead role in the passage of the 1873 Coinage Act, which demonetized silver—and in the Resumption Act of 1875, committing the US to specie payments in January 1879.

⁸² *Annual Report of the Secretary of the Treasury on the State of the Finances for the Year 1877* (Washington: GPO, 1877), ix.

colleagues in Washington. He was, therefore, more open to new monetary proposals in the debate that followed the worldwide fall of silver prices.⁸³

It was in this context that Allison emerged as a sincere convert to the ideas of international bimetallism. In the year prior to the passage of the Bland-Allison Act, he corresponded with two of the leading American advocates of international bimetallism, Samuel Dana Horton and George A. Walker.⁸⁴ “I think you are right,” he wrote to Walker in reference to the idea that silver be restored by international agreement at the ratio recommended by Walker (and by Cernuschi).⁸⁵ These private sentiments aligned closely with his public comments favoring international bimetallism—and attest to the sincerity of his efforts to make international bimetallism official US policy.⁸⁶ This correspondence also explicitly connects Allison to the emerging transnational network of monetary experts and government officials that had advocated international bimetallism since 1867. While caution is always required when drawing causal connections—especially regarding the transmission of ideas in popular debate—the sources in this case show that Allison at minimum came to articulate the ideas and arguments for

⁸³ See, for biographical detail, Leland L. Sage, *William Boyd Allison: A Study in Practical Politics* (Iowa City: State Historical Society of Iowa, 1956), 60-157.

⁸⁴ See, for example, William B. Allison to Samuel D. Horton, 18 Dec 1877, Box 521, Letter Press-Copy Book October 1877 – January 1878, William B. Allison Papers, Iowa State Historical Society (ISHS). In addition, Walker confided to Republican opinion leader Whitelaw Reid that he had been in correspondence with Allison as early as March 1877. See George Walker to William Boyd Allison, 2 March 1878, cited in Weinstein, *Prelude to Populism*, 257.

⁸⁵ William B. Allison to George A. Walker, 11 Oct 1877, Box 524, Letter Press-Copy Book October 1877 – December 1877, William B. Allison Papers, ISHS.

⁸⁶ Allison’s most extensive public comments for international bimetallism came in a two hour floor speech on 15 February 1878. “The Senate on Silver,” *Washington Post*, 16 February 1878. See also, William B. Allison, *Coinage of Silver Dollars: Speech of Hon. W.B. Allison in the Senate of the United States* (Privately Published, 1878).

international bimetallism after they had been promoted by leading advocates like Horton, Walker, Seyd, and Cernuschi.

The crucial difference between Allison and his fellow international bimetallists was his official position in the Senate, which gave him the means to explicitly shape policy. In this capacity, it is clear that Allison made a singular contribution to making international bimetallism the basis for official US policy. According to accounts, Allison began his effort in the Senate to authorize diplomatic action nearly alone among his colleagues.⁸⁷ In fall 1877, when the bill unilaterally restoring the United States to silver and gold currency passed by the House of Representatives reached the Senate, Allison transformed the bill into compromise legislation. He led recalcitrant financial conservatives to support amended legislation, first passing it out of the Senate Finance Committee and then leading the floor debate that passed the bill. The Allison amendments replaced provisions for unlimited silver coinage with limited government silver purchases and the authorization to pursue monetary diplomacy with Europe. Though drafted in committee in November, the amendment for international bimetallism did not become part of the bill until the subsequent floor debate.⁸⁸ In February 1878, the resulting Bland-Allison Act passed Congress, making international bimetallism the object of US foreign policy.⁸⁹

⁸⁷ Sage, *William Boyd Allison: A Study in Practical Politics*, 152-153.

⁸⁸ "Proposed Amendment to the Silver Bill," *New York Times*, 30 January 1878.

⁸⁹ Though bank directors in London and New York fretted about the allegiance of President Hayes to conservative financial principles, Hayes, in the end, vetoed the Bland-Allison compromise. Congress promptly overturned the veto and the legislation became law in February 1878. Sherman advised Hayes to support the bill as the best way to minimize further agitation on the silver issue. See, for the domestic politics, Nugent, *Money and American Society, 1865-1880*, 247-248.

The Bland-Allison Act quelled the free silver insurgency in national politics at home—and halted collapsing US bond prices abroad. By summer 1878, sales of US government securities in London had steadily improved. For Sherman, the resulting influx of reserves to the treasury helped secure the public credit and set the stage for the successful resumption of gold specie payments in 1879. Though the immediate threat to the Republican financial program was ended, the ongoing instability in international monetary affairs continued, making the success or failure of future diplomatic action crucial to economic recovery worldwide.

Conclusion

By early 1878, international bimetallism had been transformed from minority views among monetary experts in London and Paris to the basis for US monetary diplomacy. This outcome resulted from multiple causal factors within a distinctly global context. Looking through a transnational lens makes clear that these developments emerged from a much larger and far lengthier transnational discourse on monetary affairs than previous interpretations have suggested. An examination of primary sources beyond governmental records demonstrates that European advocates of international bimetallism played a crucial role in fostering the empirical and rhetorical arguments against the spread of the gold standard and for an international diplomatic solution. Seyd, Cernuschi, and their American interlocutors also helped forge the intellectual lines of transmission that carried bimetallic arguments from financial analysis to official US policy. The success of international bimetallism in the United States rested significantly on these

efforts. However, these efforts should not obscure the structural economic conditions that also led US policymakers toward international bimetallism. The determination to preserve the public credit of the United States among bondholders, in particular, drove decision-making at the highest levels, as Treasury Secretary John Sherman indicated. Given the ideological obstacles and institutional interests arrayed against international bimetallism, its ultimate authorization as the basis for US monetary diplomacy suggests both the influence of an ongoing transnational discourse and the urgent economic realities faced by American policymakers during this period.

The advent of American diplomatic efforts to establish international bimetallism and the worldwide monetary crisis that precipitated these efforts were notable developments in the course of US foreign policymaking in the late nineteenth century. They marked the beginning of a sustained effort by the United States over the next twenty years to reform the international monetary system based on the gold standard. These pursuits subsequently produced three American-led International Monetary Conferences as well as numerous special missions and ministerial discussions with the European powers between 1878 and 1897.

The persistence of these efforts suggest that global economic realities imposed on the United States played a role in shaping US foreign policy alongside more thoroughly studied domestic economic factors. In this sense, the pursuit of international bimetallism and the intensifying search for markets during this period can be usefully understood as complementary efforts to achieve a degree of US economic independence from the dilemmas posed by a globalizing world economy.

Chapter 2: The Fall and Rise of US Bimetallic Diplomacy in World Politics, 1878-1881

Introduction

On 5 April 1881, the hopes of American bimetallicists set sail from New York harbor aboard the steamship *Arizona*.¹ A large crowd of well-wishers had gathered to witness the departure despite the sharp winds that blustered down the docks. The ship itself had been festooned with flags in honor of the distinguished passengers bound for Europe: members of the US delegation to the 1881 International Monetary Conference. Americans hopeful of some international agreement on the use of silver money had good reason for optimism partly because the US mission was led by former Secretary of State William Maxwell Evarts. In one of the first acts of the incoming Garfield administration, Evarts had been appointed chief delegate to the Paris Conference.² The former Secretary of State received the commission both because of his intimate familiarity with the issue and because of his reputation as a policy-minded Republican and tough negotiator. Evarts, a former Assistant United States Attorney for New York, identified with the reform-wing of the Republican Party. His *bona fides* in this regard had been confirmed by the vehement opposition to his cabinet appointment by Senator Roscoe P. Conkling of New York, leader of the spoils-wing of the Party. His reputation as a successful

¹ "Eminent Men Go to Sea," *New York Times*, 6 April 1881.

² On 9 March 1881, President James Garfield nominated and the Senate confirmed the appointments of William Evarts as Commissioner of the United States to the International Monetary Conference at Paris. See, "Important Offices Filled," *New York Times*, 10 March 1881.

negotiator also preceded him into high office. Before his cabinet service, Evarts had successfully represented President Johnson during impeachment, the United States in the *Alabama* claims arbitration with Britain, and Rutherford B. Hayes before the electoral commission that decided the election of 1876.³ The choice of Evarts, more immediately, rested on his familiarity with and conviction about the cause of international bimetallism. Since 1878, he had presided over US bimetallic diplomacy with Europe, organizing the 1878 International Monetary Conference as well as sending confidential agents on subsequent missions to London, Paris, and Berlin. His close association with the leading financial men of New York, as well as his reform-minded outlook, likely informed his conviction in the policy proposals for international bimetallism. Speaking subsequently of the importance of international bimetallism in stabilizing global monetary operations, he contended:

This vast expanse of credit in the developed commerce of the world rests finally upon the intrinsic money of the world. If you would have fixity, unity, and permanence in the credit operations of the world there must be fixity, unity, and permanence in all the intrinsic money of the world upon which that credit rests. This credit is a vast globe and this service of the precious metals to sustain it is that of an Atlas upon whom the whole fabric rests.⁴

With these convictions and experiences, William Evarts and the US delegation set sail for Europe, confident that an international agreement on silver money could soon be reached.

The optimism for bimetallic diplomacy expressed by Evarts and other advocates by early 1881 emerged within the context of rapidly changing world events. Between

³ For complete biographical details, see Brainerd Dyer, *The Public Career of William M. Evarts* (Berkeley: University of California Press, 1933).

⁴ *Official Proceedings of the International Monetary Conference 1881* (Cincinnati: Robert Clarke and Company, 1881), 329.

1878 and 1881, the idea of international bimetallism experienced a remarkable reversal of fortune, transforming in short order from a radical monetary proposal advocated solely by the United States into a serious policy proposal considered at the highest levels of finance and government on both sides of the Atlantic. By late spring of 1881, the leading commercial nations of Europe – most importantly the influential gold standard powers, Britain and Germany – had agreed to join the diplomatic conference on bimetallism convened by the United States. One British trade journal took measure of the growing shift in European sentiments in advance of the International Monetary Conference: “Bimetallism is the problem decidedly set for the year 1881 to solve. Continental opinion strongly expresses in favor of bimetallism. Austria and Italy are expected to fully accept the proposals [made by the United States]. If Austria assents, we may take it for granted that Prince Bismarck will join *con amore*.”⁵ Among policymakers in Europe, the declining price of silver and the remedy of bimetallism had become urgent geopolitical questions.

The shift toward international bimetallism in Europe advanced during this period in part because the problems raised by the spread of the gold standard remained unresolved. By 1881, these monetary policy changes had contributed to a scarcity of gold reserves that worried even the most financially conservative European observers; it did so for several reasons. Foremost, the conversion to the gold standard by Germany in 1873 and the return to specie payments by the United States in 1879 represented

⁵ *The British Mercantile Gazette* of 25 March 1881 was quoted in “The Franco-American Draft Resolutions,” *Bankers’ Magazine and Statistical Register* 51, no. 13 (April 1881): 433–34.

enormous monetary operations, which placed new demands on world gold supplies at a time of declining annual production. As one financial journal warned, “The production of that metal is one-third less than it was during the five years of its greatest yield, [a period] ending in 1856. In the meantime, the requirements for metallic money are constantly advancing.”⁶ More proximate concerns for European policymakers were the large transfers of gold to the United States made in 1879 and 1880 as payments for imported wheat and corn necessitated by disastrous European crop failures.⁷ Even the halting and uneven nature of recovery across the international economy, by 1881, raised concerns. At every turn, the depression seemed to defy prognostications of recovery made by prominent followers of *laissez-faire* doctrine. In 1879, famed free-trader John Bright argued that growth would naturally recur without monetary policy adjustments if the economy was left alone to find a new equilibrium.⁸ Those Englishmen closer to the day-to-day operations of London trade and finance, however, appeared less confident. As one London banker noted that same year, “England has now entered its sixth year of commercial and manufacturing distress and decadence. There is yet a single ray of light shooting up through the dark mercantile horizon.”⁹ The ongoing depression and the renewed scarcity of gold reserves, taken together, made the contest for gold appear as a

⁶ George Weston, “The European Situation on the Silver Question,” *The Bankers’ Magazine and Statistical Register* 13, no. 6 (December 1878): 439.

⁷ One contemporary journal estimated British gold losses of £150 million. “The Threatened Struggle for Gold,” *Saturday Review of Politics* 51 (February 1881): 176.

⁸ John Bright, for example, said this in response to the economic crisis of the 1870s: “As to the present depression of trade, we owe some of it to bad harvests. We owe much of it to the commercial and manufacturing distress which has prevailed in almost every country... These great [economic] changes are not within the power of Congresses or Parliaments; they are in the ordering of nature and we must accept them.” Quoted in “Mr. Bright on Trade Troubles,” *New York Times*, 13 July 1879.

⁹ Stephen Williamson, “The Discrediting of Silver,” *The Contemporary Review* 35 (April 1879): 121-131.

very real danger to European leaders and more than a simple critique of the gold standard made by monetary theorists.

These economic realities hastened not only a significant shift toward international bimetallism but also a reciprocal skepticism about the gold standard itself. In February 1881, the *Saturday Review*, a prominent, gold-standard London journal, exemplified this shift, conceding one of the central bimetallic arguments it had previously dismissed: “Fears have begun to be entertained by men of business that before long the principal commercial nations will be involved in a struggle for gold... We find that at least 150 million [in] sterling has been taken away by the United States and Germany within the last few years. And now it is said that Italy too intends to adopt a gold currency... For all these reasons it is certainly not improbable that we may have a very great scarcity of gold before long, leading to a determined struggle between the chief banks of the more advanced nations to preserve their own reserves.”¹⁰ These sentiments extended beyond public debate to official government circles in Europe. In Britain, for example, George Goschen, the respected Liberal Party financial expert, indicated the increasing skepticism for the gold standard, even while deprecating the bimetallic standard: “The theory of a universal gold standard is equally utopian and, indeed, involves a false utopia.”¹¹ By early 1881, at the highest levels of European finance and government, distinct fissures in the consensus favoring the gold standard had emerged.

¹⁰ “The Threatened Struggle for Gold,” *Saturday Review of Politics* 51 (February 1881): 176.

¹¹ *The International Monetary Conference of 1878: Proceedings and Exhibits* (Washington: GPO, 1879), 52.

The shift toward international bimetallism in Europe also rested on the work of American bimetallic advocates. Between 1878 and 1881, American efforts were advanced on two fronts, first in the public campaign for an international bimetallic agreement. This mobilization of opinion, which began within domestic politics as a result of the fall of silver, was extended outward to Europe by American editors, economists, and politicians. Second, the United States after 1878 pursued official diplomacy toward the European powers regarding an international agreement to end monetary instability. The two efforts were deeply intertwined. In many cases the leading American bimetallic advocates, private experts in monetary affairs from New York, were appointed to represent the United States, both at formal monetary conferences and in confidential diplomacy with the individual governments of Europe during this period. These American experts played a key role in the transformation of European sentiments toward international bimetallism, re-exporting and refining the arguments first articulated by English and French theorists. In doing so, they explicitly persuaded Britain and Germany into diplomatic participation in the 1881 Conference. In addition, they also strengthened the intellectual lines of transmission that carried forward the bimetallic case against the gold standard in the intensifying transnational debate.

With these developments in mind, this chapter argues that efforts by the United States to establish international bimetallism during this period were pursued with far more sincerity and with many more positive results than previously understood. In particular, this interpretation suggests that US efforts to establish international bimetallism were not merely cynical political maneuvers designed to appease radical

monetary expansionists at home.¹² US bimetallic diplomacy instead represented a genuine and persistent effort to relieve global monetary instability and to remove the economic problems these developments imposed on the United States. As one American diplomat said of US interests in international bimetallism, “Suffocation, strangulation are words hardly too strong to express the agony of the industrial body when embraced in the coils of a contracting money supply. Against so great a wrong to civilization and to the hopes of mankind, the representatives of the United States raise their earnest protest and warning. This is our real interest in the silver question.”¹³

One measure of the sincerity with which the United States pursued international bimetallism was the proximity to power and the policy-minded reputations of the men involved in US efforts. Francis Amasa Walker of Massachusetts, by then an internationally renowned economist and a trusted policy advisor in Republican circles, was the leading voice of the US delegation at the 1878 International Monetary Conference. Secretary of State William Evarts was the chief US representative at the 1881 Conference. The *New York Times* noted the significance attached to his appointment by European observers: “A dispatch from Paris says that the selection of Mr. Evarts as chief delegate is construed there as a sign that the United States attaches great

¹² The argument that dismissed international bimetallism as an electoral ploy by the Republican Party during the years of silver crisis has been carried forward, in part, in prior interpretations of these events. These claims, however, originated among the contemporary advocates of free silver – the remonetization and unlimited coinage of silver by the United States alone – in the western United States during the 1870s. See, for example, Nichols, “Silver Diplomacy.” See also, Russell, *International Monetary Conferences*.

¹³ American economist Francis Amasa Walker, representing the United States, expressed these sentiments to the delegates of the 1878 Conference. See, *The International Monetary Conference of 1878: Proceedings and Exhibits*, 78.

importance to the conference.”¹⁴ Indications of American sincerity such as these also ran throughout official US diplomatic instructions during this period.¹⁵ With these appointments, successive Republican administrations signaled their determined pursuit of an international monetary agreement.

This sincerity can be measured by the seriousness with which these policy proposals were received by European counterparts. Ardent defenders of the gold standard, of course, remained suspicious. As one editorialist remarked, “Bimetallism was generally regarded as a wild vagary of French theorists and American demagogues and has hardly more strength with the solid business classes than socialism.”¹⁶ Despite these sentiments, many prominent European officials in finance and government embraced the proposals enthusiastically. This outcome rested, in part, on the fact that bimetallic arguments put forward by American advocates originated among European critics within the financial sector. Nevertheless, between 1878 and 1881, the years of persistent formal diplomacy by the United States, many more key European institutions and policymakers rallied to the banner of international bimetallism. By spring 1881, two directors of the Bank of England and the French Minister of Finance had declared their support for international bimetallism. In advance of the Monetary Conference that summer, rumors circulated that Chancellor Bismarck, champion of the German gold standard, had come

¹⁴ “The Monetary Conference: Why England Hesitates to Accept the Invitation to Participate,” *New York Times*, 11 March 1881.

¹⁵ See, for example, Evarts to Noyes, 26 July 1879, Instructions 1801-1906, France, Vol. 20, RG59, Microfilm No. 77, Roll 60, NA.

¹⁶ “What Will Come of the Silver Conference,” *New York Times*, 7 August 1878.

over to the side of monetary expansion through bimetallic reform.¹⁷ This reception in Europe suggests that US initiatives represented a sincere response to global monetary disturbances; it also underlines the related argument of this chapter that US efforts met with much more success than previously understood. The economic depression and the monetary crisis were problems born of the still-emerging system of modern globalized trade and investment. The American campaign to establish an international bimetallic monetary agreement represented sincere ambitions to remedy those problems and alleviate their effects upon the United States.

In April 1881, as the delegations of fifteen European nations gathered in Paris for the International Monetary Conference, the United States had reason to be optimistic about securing a bimetallic agreement. Recent developments in Europe had unfolded to the advantage of those who had long advocated international bimetallism. By 1881, the failure to recover from the commercial depression seemed increasingly linked to the monetary scarcity precipitated by the spread of the gold standard. In 1879 and 1880, crop failures in Europe added to the currents of manufacturing and trade distress, especially in Germany and Britain. These painful experiences produced political as well as economic outcomes, strengthening the opposition to the gold standard within each nation and increasing the receptiveness to American calls for international monetary reform.

¹⁷ These rumors emerged apparently from an exchange of views between German financiers and British Ambassador at Berlin, Lord Odo Russell. Bismarck himself had to clarify his position on the floor of the Reichstag after news of his bimetallic shift appeared in the London press. Nevertheless, these rumors played a crucial role in setting expectations among observers. For reports from Berlin, see, for example, Andrew D. White to William M. Evarts, 25 June 1879, *FRUS 1878* (Washington: GPO, 1879), 385-386. For a representative press account, see "Monetary Affairs in Europe," *Bankers' Magazine and Statistical Register* 15, no. 10 (April 1881): 764.

For the United States as well, changed circumstances augured well for diplomatic success. The misfortunes of Europe had been the fortune of the American economy, hastening the return of domestic economic growth. The dramatic European demand for wheat and corn, in particular, helped ease the burdens of indebted farmers in the Midwest. The payments in gold for those commodities aided the regeneration of the American financial system in the Northeast. Together with the successful resumption of specie payments, which placed the public credit of the United States on sound footing, these developments provided the United States a position of strength as American diplomats approached the latest round of bimetallic negotiations with Europe. The return of prosperity gave Republican policymakers more freedom to maneuver in domestic politics. It also fostered a grudging respect for the US economic power and American economic doctrines abroad. We have witnessed “an entire change in the policy and feeling of the chief European governments towards the United States,” noted American monetary diplomat George A. Walker.¹⁸

By late spring 1881, prospects seemed to favor international bimetallism, a proposal one gold-standard journal had derisively described as “Mr. Evarts’ visionary enterprise.”¹⁹ Material and rhetorical changes on both sides of the Atlantic had created a new playing field for US bimetallic diplomacy. “The United States now has within its grasp a great opportunity, which is not likely to recur under equally favorable circumstances... This country, at one stroke, may settle the silver question... for years,

¹⁸ “Consul-General Walker: A Notable Gathering in His Honor,” *New York Times*, March 10, 1880.

¹⁹ “England and the Monetary Conference,” *New York Times*, 11 April 1881.

perhaps centuries,” read one New York newspaper.²⁰ As Secretary of State William M. Evarts arrived in Paris at the head of the US delegation, he could not have hoped for a better set of circumstances to reach a diplomatic agreement on the question of international bimetallism.

Discrediting Bimetallic Utopias: The Conference of 1878

By 1881, the increasingly positive reception of bimetallic arguments in Europe represented a remarkable success for American diplomacy considering the degree to which similar US proposals had been dismissed by European leaders only three years earlier. The 1878 International Monetary Conference, convened by the United States and held in Paris during August of that year, could not be considered by contemporary observers as anything other than a failure. In advance of the conference, the Hayes administration had embraced the proposals for international bimetallism authorized by the Bland-Allison Act. The authorization for the conference had become law despite a presidential veto in February 1878. Secretary of the Treasury John Sherman, nevertheless, soon after articulated the changed outlook of the financially conservative Hayes administration, confessing, “During the Monetary Conference [of 1867], I was strongly in favor of the single standard of gold. At the time the wisest among us did not anticipate the sudden fall of silver or the rise of gold that has occurred... This uncertainty of the relation of the two metals is one of the chief arguments in favor of a

²⁰ “The Great Opportunity,” *Bankers’ Magazine and Statistical Register* 15, no. 10 (April 1881): 797.

monometallic system. But other arguments, showing the dangerous effect upon industry of dropping one of the precious metals from the standard of value outweigh in my mind all theoretical objections to the bimetallic system.”²¹

This enthusiasm for international bimetallism within the Hayes administration emerged, in part, from growing expectations that a diplomatic agreement with Europe might easily be reached. These expectations followed from intelligence regarding European attitudes given to the United States Monetary Commission the previous year. As Henri Cernuschi, the renowned French bimetallist, testified, “There is at present in Europe a great reaction in regard to the mono-metallic doctrine, a reaction almost as significant as that which prevails in the United States.”²² The expectations of American officials were guided, in particular, by signals from Britain, the leading creditor and trading partner of the United States. “There is now in England a large minority if not a majority of opinion in favor of an international bimetallic system,” suggested another witness before the Commission. “I do not think [England] would resist the double standard from the selfish instinct of capital.”²³

Other American advocates with a more skeptical view of Britain hoped that a bilateral monetary agreement between the United States and the countries of the Latin Union led by France, was readily attainable. As Samuel Dana Horton, the young American monetary expert, pointed out, “In the struggle against demonetization, the franc

²¹ John Sherman to W.S. Groesbeck, 15 July 1878, included as Exhibit C in *The International Monetary Conference of 1878: Proceedings and Exhibits*, 139.

²² *Report and Accompanying Documents of the United States Monetary Commission*, 44th Congress, 2nd Session. Senate. Report no. 703 (Washington: GPO, 1877), 2:481.

²³ *Report and Accompanying Documents of the United States Monetary Commission*, 2:413-414.

is the natural ally of the dollar... [The] free coinage of gold and silver at a ratio of 1 to 15 ½... would be the inauguration, if not of universal, at least of comparative monetary peace throughout the world.”²⁴ Speaking of this bilateral form of bimetallism between the United States and France, the *North American Review* suggested, “It must be obvious that if such a powerful combination should agree to make the ratio of silver to gold, say 15 ½ to 1, all future fluctuations of silver would cease.”²⁵ By March 1878, these indicators, taken together, encouraged the United States to pursue an international agreement with sincerity and some optimism. That month the Hayes administration issued diplomatic instructions inviting European nations “to join the United States for a conference to adopt a common ratio between gold and silver, for the purpose of establishing internationally the use of metallic money.”²⁶ By then leading administration policymakers John Sherman and William Evarts had hope that an agreement with Europe on the question of silver money – even one short of a universal bimetallism – was possible.

The 1878 International Monetary Conference convened in the French capital amid the pomp and audacity – the displays of cultural confidence and scientific progress – of Republican France at the Paris Universal Exposition. Despite the spirit of openness and cooperation that surrounded the conference that summer, American aims and expectations for international bimetallism confronted significant obstacles erected by European representatives. These impediments fell roughly into three categories.

²⁴ Horton, “The Silver Bill in Congress.”

²⁵ Moore, “The Silver Question.”

²⁶ Evarts to Noyes, 14 March 1878, Instructions 1801-1906, France, Vol. 19, RG59, Microfilm No. 77, Roll 59, NARA.

Foremost among these was the unaltered defense of the gold standard. Ardent defenders of the single gold valuation rehearsed many of the same arguments that had emerged in the transnational debate on silver since 1873. European opinion-makers and officials repeated *laissez-faire* arguments, which contended that monetary policy changes were not central to the economic crisis and that doing nothing except awaiting the return of equilibrium remained the best policy. As one London editor argued, “What is lacking in Europe, and is the true cause of the present crisis in manufactures and trade, is not that the gold now existing is insufficient; it is confidence. Men do not feel confidence in the stability of institutions.”²⁷ To this line of argument, advocates of the single gold standard added increasingly urgent claims linking the use of gold money to progress and civilization. “It is necessary to divide the world between the two metals – to choose gold for the advanced nations and leave silver to those countries whose civilization is backward or stationary,” said one official during the Paris Conference.²⁸ This suggestion, and others like it, revealed the extent to which non-economic arguments in defense of the gold standard entered the transnational debate during this period applied. Political discourse, in general, was infused with ideas in evolutionary thought, especially following the publication of Charles Darwin’s *On the Origin of Species* in 1859. One aspect of evolutionary theory—transmutation from basic forms to more advanced forms—was increasingly applied to contemporary human societies. To hold a policy that was backward or stationary was to be a nation-state not evolving to higher, more civilized

²⁷ Bloch of Norway made these comments to the Conference in the third session, 19 August 1878, *The International Monetary Conference of 1878: Proceedings and Exhibits*, 63.

²⁸ Feer-Herzog of Switzerland expressed these sentiments in the same session.

forms. In diplomacy and discourse of the currency question, conflating the use of the single gold standard with civilization and the use of silver money with backwardness remained an oft-repeated theme. It was a powerful argument in an era when contemporaries shared a sense that modern civilization had so recently been brought into being by the advances of European scientific, economic, and political innovation.²⁹ These non-economic arguments were added to the institutionalized economic arguments for the gold standard and against US initiatives for international bimetallism.

At the 1878 Conference, US efforts faced not only the entrenched sentiments favoring the gold standard but also a healthy skepticism toward international bimetallism and toward the motives of United States. The US Minister to Britain, even before the conference began, outlined British skepticism of the establishment of bimetallism by international agreement. “The opinion is largely prevalent here that it is impossible to fix the ratio between silver and gold,” he reported.³⁰ This line of argument anticipated the *laissez-faire* outlook behind European opposition to international bimetallism at the conference. Informed by the classical English economists, bimetallic opponents viewed the economy writ large as something that existed in nature, something that by virtue of the natural forces of enlightened self-interest would inevitably return to growth.³¹ Any government intervention in the economy, in this view, threatened to disrupt this natural

²⁹ C. A. Bayly, *The Birth of the Modern World, 1780-1914: Global Connections and Comparisons* (Oxford: Blackwell, 2004), 284-322.

³⁰ Welsh to Evarts, 5 April 1878, Despatches 1789-1906, Great Britain, Vol. 134, RG59, Microcopy No. 30, Roll 130, NARA.

³¹ See, for example, White, “The Financial Crisis in America.” For a recent secondary interpretation, see Joel Mokyr, *The Enlightened Economy: Britain and the Industrial Revolution 1700-1850* (New York: Penguin Books, 2011).

process. So it was that gold advocates attacked international bimetallism as something artificial, unnatural, and uncivilized.

To this skepticism, gold advocates added suspicions of US motives. America's most respected representative in Paris, Francis Amasa Walker, later lamented, "The United States appeared at the conference at a disadvantage by reason of the belief, quite commonly entertained in Europe, that the action of Congress [in seeking an international agreement] had been mainly determined by the consideration that the United States are largely producers of silver."³² Such suspicions about a manipulative silver mining lobby fit neatly within broader opinions held by many Europeans regarding the corrupting commercial influence in American politics and policymaking during the post-Civil War era.³³ As the conference convened, the American representatives greeted European counterparts who, in many cases, seriously questioned both the proposals and motives of the United States.

The pursuit of international bimetallism by the United States at 1878 Conference faced further obstacles – ones that moved beyond the relative merits of the gold standard or bimetallic standard. In several cases, progress toward an international agreement was forestalled by geopolitical considerations entirely unrelated to the question of monetary diplomacy. In some instances this amounted to a lack of sustained interest that resulted from more pressing diplomatic concerns. The records of the British Foreign Office, for example, indicate a preoccupation on the part of the British government with the

³² "The Paris Silver Conference," *New York Times*, 14 December 1878.

³³ The scandals of the Grant era were detailed in many London weekly journals, including, for example, "American Official Scandals," *Saturday Review* 41, no. 1063 (11 March 1876): 321–322.

disposition of southeastern Europe in the balance of power between Russia, Ottoman Turkey, and Austria-Hungary – the Eastern Question – which culminated in the Treaty of Berlin that same year.³⁴ In other cases, testimony from European delegates at the conference indicates that balance of power considerations played some part in the reluctance to support US proposals for international bimetallism, even among bimetallic countries. Together with the ideological arguments made against bimetallism, these geopolitical considerations posed significant impediments to US aims and expectations for the 1878 International Monetary Conference.

In Paris, as the conference proceeded through seven sessions in August 1878, these distinct obstacles were emphasized in varying degrees by each of the European countries present. The strongest resistance emerged, however, from a nation not present at all, Germany. The government of Chancellor Bismarck had refused the US invitation to the Monetary Conference on grounds that Germany would not consider any alteration to its gold standard currency.³⁵ German steadfastness in defense of the gold standard did not derive from the manifest successes of the new currency. On the contrary, the ongoing monetary operations by which Germany was converting its economy from a single silver standard currency to the new imperial gold currency could be carried out only at considerable expense to the government and to the wider economy. One financial journal

³⁴ See, for reports of British preoccupation with the eastern question, Welsh to Evarts, 4 April 1878, *FRUS 1878* (Washington: GPO, 1879), 259. See also, A. J. P. Taylor, *The Struggle for Mastery in Europe, 1848-1918* (London: Oxford University Press, 1971), 25. See also, Richard Millman, *Britain and the Eastern Question, 1875-1878* (Oxford: Clarendon Press, 1979).

³⁵ British delegate George Goschen surmised that “Germany declined to even attend the conference lest her attendance be interpreted as a sign of wavering as to the [monetary] policy to which she had committed herself.” See, George Goschen, *Report of the Commissioners Appointed to Represent Her Majesty’s Government at the Monetary Conference Held in Paris in August 1878*, 1.

detailed German difficulties based on a report by renowned German economist, Professor Adolph Soetbeer. According to the newspaper account, the findings showed that Germany, by the end of 1877, had sold 2.8 million kilograms of silver on the open market for 413 million marks. The coins melted down to produce this quantity of silver, however, were valued at 476 million marks, leading to a loss by the German government of approximately 63 million marks.³⁶ Problems did not end there. Germany was not only selling silver at a loss to maintain the gold standard but was also forced to defend its gold reserves against increasing worldwide demand. A December 1878 report in the financial press highlighted the implications: “Germany has itself suffered more than anybody. The Reichsbank has been obliged to raise its rate to five percent, although, at the time, the rate in the open market did not exceed three percent. Thus the protection of the gold reserve is costing two percent to the commerce and industry of Germany. The newspapers and the Chambers of Commerce are already uttering their protests.”³⁷ These monetary dilemmas, however, did not move the German government toward participation in the International Monetary Conference.

Germany, even in absence, exerted considerable influence. The smaller European states, especially those closely linked to German trade, admitted in Paris that they could not move in favor of international bimetallism without Germany, the largest continental economy, moving first. In the third session, for example, the leading representative of the Netherlands conceded many bimetallic arguments but finally confessed, “So long as

³⁶ “The Silver Movement,” *Bankers’ Magazine and Statistical Register* 13, no. 2 (August 1878): 95.

³⁷ “What Germany Pays for the Gold Standard,” *Bankers’ Magazine and Statistical Register* 13, no. 6 (December 1878): 432.

Germany shall retain the position of the single gold standard, it will remain impossible for Holland to adopt another system.”³⁸ As the Conference proceeded, the disposition of Germany remained so influential that delegates moved to re-invite the Bismarck government. Having made this official inquiry, the presiding officer of the Conference, Leon Say of France, reported at the start of the fourth session that he had received a letter from the German Ambassador at Paris regretting “the inability of his country to accede to the wish of the Conference.”³⁹ In its repeated refusal, Germany had promoted aspects of all three obstacles to US aims in 1878: an unstinting defense of the gold standard, a general skepticism toward international bimetallism, and reluctance based on geopolitical concerns not directly at stake in monetary diplomacy. On this last point, Germany, like Britain, had been preoccupied with the Eastern Question from the outset of 1878 to the completion of its role as mediator during the Congress of Berlin that summer. The numerous reports throughout that year from the US Minister at Berlin indicated just how concerned Germany was with these developments compared with the question of international bimetallism being discussed in Paris.⁴⁰

Of the countries in attendance, the smaller gold-standard states with close ties to German trade made the most ardent defense of the international gold standard as it existed. In the rhetorical defense of gold monometallism, Norway, Sweden, and the Netherlands were joined, to the surprise of American delegates, by the bimetallic countries Belgium and Switzerland, who remained part of the Latin Monetary Union.

³⁸ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 52.

³⁹ *Ibid.*, 70.

⁴⁰ See, for example, Everett to Evarts, 25 February 1878, *FRUS 1878*, 195.

During these debates, Juris Broch, the Postmaster General of Norway, and Charles Feer-Herzog, former president of the Federal Council of Switzerland, most forcefully recapitulated arguments in favor of the gold standard and against a bimetallic standard that had emerged in the transnational debate since 1873. Broch, in particular, portrayed the maintenance of the gold standard as a measure of the civilized quality of a nation-state, contending, “Gold alone responds to the needs of an advanced civilization; it [has] become the money of all people who are progressing, while silver remains exclusively the money of all peoples which are backward or stationary.”⁴¹ Feer-Herzog of Switzerland carried the civilization line of argument into a more explicit critique of the case for bimetallism, arguing that the recent fall of silver resulted not from monetary policy changes but rather from the “progress of civilization.”⁴² Broch and Feer-Herzog also raised suspicions of US motives in convening the Conference. Speaking to the Conference, one US delegate felt obliged to point out “a prejudice, which it appeared had found its way into many minds. It was said that the United States had taken initiative in the Conference because [we] were a silver-producing country. This was incorrect.”⁴³ Despite US protests, the gold standard advocates of the smaller European countries raised rhetorical obstacles that seemed to resonate with the delegates gathered in the halls of the Ministry of Foreign Affairs. Speaking of the questions raised about the viability of international bimetallism, British delegate George J. Goschen later reported, “[These]

⁴¹ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 29.

⁴² *Ibid.*, 71.

⁴³ *Ibid.*, 20.

opponents of the bimetallic system were so vigorous that any further development of the question seemed scarcely needed.”⁴⁴

French reluctance to accept an international monetary agreement in Paris that summer was, perhaps, most surprising to US representatives. As leader of the only international bimetallic monetary union, France appeared to be a natural ally of the United States. By the start of the Conference, the French economy had recovered remarkably from a succession of crises, including the Franco-Prussian War, the global depression, and the monetary crisis precipitated by the fall of silver after 1873. One sign of French economic resurgence was the industrial progress on display at the Paris Exposition just steps from the deliberations of the Conference. Part of the relative economic revival of France could be attributed to swift action in response to the fall of silver, at which time France led the Latin Union to limiting and ultimately suspending the coinage of silver. These stop-gap measures halted the outflow of gold reserves and the potential influx of demonetized German silver. Nevertheless, by 1878, France still held almost half of its monetary reserves in depreciated silver, notwithstanding French currency in circulation.⁴⁵ This relative economic strength and the considerable quantity of silver held as reserves made France, in the minds of American observers, the most interested potential partner in a bimetallic agreement. “The nation in Europe whose action is far more important than any other is France,” concluded one American financial

⁴⁴ Goschen, *Report of the Commissioners Appointed to Represent Her Majesty's Government at the Monetary Conference Held in Paris in August 1878*, 6.

⁴⁵ By 1878 the Bank of France held \$202 million in silver and \$226 million in gold, according to the official report, *Compte Rendu et Rapport des Censeurs 1878*. This report was included in correspondence from Henry Vignaud to General Noyes, 14 November 1878, Despatches 1801-1906, France, Vol. 20, RG59, Microcopy No. 77, Roll 60, NA.

journal.⁴⁶ In addition, France, as a bimetallic nation itself, possessed no institutionalized resistance to US proposals for international bimetallism.

At the 1878 Conference, despite these apparent shared interests, however, France consistently refused to move toward proposals presented by the United States. What explains an outcome so contrary to the expectations of the most informed American observers? Behind the signifiers of economic strength and Gallic regeneration present at the Universal Exposition, France confronted an interlocking set of economic and geopolitical uncertainties. On the economic front, the monetary crisis precipitated by German conversion to the gold standard remained unresolved. Because Germany had yet to sell more than half of its demonetized silver, the bimetallic French currency remained under threat of devaluation should France reopen its mints to silver. The leader of the French delegation, Finance Minister Leon Say, conceded this fact to the Conference: “The attitude of the French government [is] an expectant one, and it must remain so, until Germany has completed the sale of its stock... It is this dark side of the question which at the present moment deprives France of her freedom of action.”⁴⁷ Left unsaid by Monsieur Say, however, were the equally important geopolitical dilemmas faced by France. The fall of silver that followed the German conversion to the gold standard, in particular, had thrown into confusion the member countries of the Latin Union, pushing some toward international bimetallism and others toward the gold standard. For France, this development presented a significant geopolitical problem. The Latin Union, since its

⁴⁶ “The Monetary Conference at Paris,” *Bankers’ Magazine and Statistical Register* 13, no. 4 (October 1878): 269.

⁴⁷ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 60.

creation by France in 1865, represented more than a policy of economic efficiency alone. The Latin Union, not unlike the Marshall Plan during the twentieth century, was an economic agreement that fostered an underlying geopolitical solidarity. In this case, it reinforced ties within an anti-German bloc led by France that itself began in response to the ascendancy of Prussia, and the Prussian-led German Empire, during the mid-nineteenth century.⁴⁸ The divergence of opinion among the Latin Union countries, as evidenced by Belgium and Switzerland during the Conference, therefore, threatened one of the important institutional linkages that bound the smaller states to France and to its interest in maintaining an anti-German coalition.

This rupture imposed the most immediate constraints on French action at the Conference. It did so because the deliberations of the Conference occurred in advance of the vote to renew the Latin Union treaty, which was set for 1879. For France, the appearance of Belgium at the Conference as an ardent proponent of the gold standard raised the possibility of Belgium declining to renew the Union and moving closer to the orbit of the German economy by virtue of the ease of exchange between gold-standard countries. The leading American bimetallist in Paris that summer, Francis Amasa Walker, later ascribed French inaction in these terms, concluding, “France herself was, by reason of critical relations with her colleagues of the Latin Union, not in a position to exercise strong leadership. On financial, political, and even military grounds, Belgium is

⁴⁸ See, for example, John R. Davis, *Britain and the German Zollverein, 1848-66* (New York: MacMillan, 1997). For the geopolitical origins of the Latin Union, see also Henry Parker Willis, *A History of the Latin Monetary Union* (Chicago: University of Chicago Press, 1901).

exceedingly important to France.”⁴⁹ Elsewhere Walker elaborated on the geopolitical concerns that France had over Belgium, in particular. “Scarcely any object could be sufficient to compensate France for the misfortune of having Belgium detach herself from the Latin States and ally herself with the monetary system of England and Germany. The geographical and commercial relations of Belgium are such as to make it very desirable for France to retain the greatest possible influence over her.”⁵⁰ France, for both stated economic reasons and unstated geopolitical reasons, mounted the biggest obstacles to some form of bimetallic agreement in 1878, to the surprise of American observers and officials. In the process, French declarations at the Conference highlighted the extent to which progress rested not on the merits of international bimetallism alone but also on geopolitical exigencies which limited the action of an otherwise sympathetic ally.

While France equivocated on US proposals at the 1878 Conference, Great Britain took a moderate, at times accommodating, stance toward international bimetallism and its American advocates in Paris. At one point during the Conference, when American efforts at persuasion had stalled, the leading English representative went so far as to attempt to rescue the deadlocked proceedings: “If there [is] any hope of arriving at a practical agreement by prolonging the discussion, the advantage of that agreement would be well worth some sacrifice of time.”⁵¹ Sentiments like this embodied the British line of argument at the Conference. In 1878, Britain remained a defender of the gold monometallic system that it had carried to prominence. In Britain, the gold standard not only

⁴⁹ Francis Amasa Walker, *International Bimetallism* (New York: Holt, 1896), 192.

⁵⁰ Francis Amasa Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver,” *Princeton Review*, (June 1879): 28.

⁵¹ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 94.

underpinned the system of credit and currency but it also operated as a powerful signifier of national power, affluence, and progress. It had unmatched institutional strength, supported equally by both political parties and the leading bankers of London finance. Yet there were signs, by the time of the Paris meeting, that rhetorical and political sands had begun to shift under the British gold standard. The moderate line taken by British delegates was one measure of that shift. Earlier that spring, the Tory government led by Benjamin Disraeli, by then Lord Beaconsfield, had refused the American invitation to the Paris Conference. Despite the initial reply, the US Minister to Britain continued to lobby the Foreign Office, reporting by telegram to Washington: “Had an interview with [Foreign Secretary] Salisbury, Northcote, and Cross. Treasury opposed to conference. Cabinet not yet prepared to reply.”⁵² Within two weeks, however, the Foreign Office changed course; Lord Salisbury personally accepted the invitation. “While Her Majesty’s Government [is] unable to depart from the policy in respect to currency questions she has pursued for sixty years, nevertheless, in other parts of Her Majesty’s Dominions other [monetary] systems prevail. In view of this circumstance, Her Majesty’s Government [is] quite willing to attend a conference called by the United States.”⁵³

The most important of these dominions was India, whose interests seemed to play a decisive role in the British *volte face*. While some Tory cabinet members with dismissed international bimetallism as a wild-eyed American proposal, those with closer ties to overseas trade and India in particular could not afford to indulge in such

⁵² Welsh to Evarts, 3 June 1878, Despatches 1789-1906, Great Britain, Vol. 134, RG59, Microcopy No. 30, Roll 130, NARA.

⁵³ Lord Salisbury to Welsh, 11 June 1878, Treasury Office, Box T17714A, BNA.

sentiments. The subsequent report of the British delegates at Paris reflected this more clear-eyed assessment: “The derangement in mercantile operations due to the position of silver at this moment is so great and so universal that all contributions made in the direction of clearing up the subject would be invaluable... Our Indian Empire, where the silver standard prevails, gave us the deepest interest in any discussions involving the future of silver.”⁵⁴ In the months after the initial British reply Lord Cranbrook, Secretary of State for India in Council, urged the Foreign Office to reverse course. Speaking of bimetallism, he advised Salisbury: “Considering the important bearing of this question on the interests of India, the Secretary of State in Council would be glad to hear that Her Majesty’s Government had agreed to take part in the proposed conference.”⁵⁵ The interest in restoring the Indian economy and British trade with the East not only pushed Britain into the formal monetary diplomacy but also inclined it toward the moderate line taken in Paris. The British delegation was led by leading financial conservatives, including Liberal MP and financier George J. Goschen and former Bank of England director Henry Hucks Gibbs. At the Conference, they confidently defended the gold standard, and yet their contributions were notable for the degree to which they had come to embrace bimetallic arguments. Only two years earlier, both men had contributed to the official government report on the depreciation of silver, which failed to single out German demonetization as the cause of global monetary instability. In Paris, Gibbs had moved over to the bimetallic argument. “Mr. Feer-Herzog is a partisan of the single gold

⁵⁴ Goschen, *Report of the Commissioners Appointed to Represent Her Majesty’s Government at the Monetary Conference Held in Paris in August 1878*, 2-10.

⁵⁵ Sir Louis Mallet to Lord Salisbury, 16 May 1878, TO, Box T17714A, BNA.

standard; so am I,” he said. “But there is one point on which we are not agreed... He attributes the fall of silver to the progress of civilization; whereas, in my judgment, the fall of silver is due to the simultaneous action of several accidental causes, and chiefly [due] to the demonetization of silver in Germany.”⁵⁶ These kinds of subtle shifts ran throughout British remarks at the Monetary Conference. In Paris, British delegates had moved clearly toward American reasoning, while holding an unchanged position in defense of the gold standard.

At the 1878 International Monetary Conference, European advocates of the gold standard—and even some delegates sympathetic to bimetallism—placed significant obstacles in front of any hope of an accord. In the face of these arguments, it was left to the members of the United States delegation to make the case for international bimetallism. The American delegation reflected the outlook of the financially conservative Northeast. This group included a number of prominent individuals, including former Governor of New York Reuben E. Fenton, the young monetary expert Samuel Dana Horton of Ohio, and Yale professor of political economy Francis Amasa Walker of Massachusetts. Governor Fenton was a respected financial conservative and the most senior officeholder present. The young Horton had made his reputation writing pamphlets and on the hustings, supporting sound-money Republicans during the height of the silver debate in the United States.

Among them, however, Professor Francis Walker proved to be the most articulate and impressive advocate for international bimetallism at the Paris Conference. Walker,

⁵⁶ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 71.

by the time of his appointment, already possessed an impressive resume.⁵⁷ As a Union staff officer and logistical expert during the Civil War, he rose to the rank of Brevet-General. Part of that success rested on his impressive education, first as the son of esteemed economist Amasa Walker and later as a Phi Beta Kappa graduate of Amherst College. From his father Walker inherited not only the lines of his economic thinking but also the reformist sentiments that defined the educated New England elite in the previous generation. As a reformer, he shared a disdain for the corruption scandals of the Republican Party with his friends and colleagues, Henry Adams and Charles Francis Adams Jr.⁵⁸ After the war, however, his talent for numbers and for friendship led to a series of appointments in Republican administrations, including director of Indian Affairs and director of the Census in 1870. By the time of the Conference, his reputation as an effective administrator and as an economist was increasingly recognized at home and abroad. In the latter case, the publication of his treatise, *The Wages Question*, in 1875 drew acclaim in the *North American Review* and in personal correspondence with renowned English economists including Alfred Marshall and H.S. Foxwell of Cambridge. In a subsequent letter from England, Foxwell related his appreciation of Walker, saying, “I feel, and hundreds here feel, personally indebted to you for the sound science of your admirable *Wages Question*.”⁵⁹ At home, these accomplishments led President Hayes, himself a reform-minded Republican, to appoint Walker both Assistant Commissioner

⁵⁷ For details of Walker’s professional career, see James Phinney Munroe, *A Life of Francis Amasa Walker* (New York: Holt, 1923).

⁵⁸ Walker co-authored with Henry Adams a chapter on the Legal Tender Act of 1862 in Charles Francis Adams II, *Chapters of Erie* (Boston: Osgood and Company, 1871).

⁵⁹ Foxwell to Walker, 17 April 1883, quoted in Munroe, *A Life of Francis Amasa Walker*, 158.

General for the United States to the Paris Exposition and US delegate to the International Monetary Conference in summer 1878.

In the latter role, during the Monetary Conference, Professor Walker put forward three essential arguments about the nature of the monetary crisis, the merits of international bimetallism, and the link between monetary relations and the wider global economic depression. To defenders of the gold standard, who claimed that the monetary crisis represented a natural process that followed from the economic evolution of advanced countries, Professor Walker made a simple rejoinder:

Silver has not ceased to be money as a result of natural causes... The rejection of silver has proceeded from actions distinctly political, [from] the laws and decrees of governments... We are not therefore asking this body to decree the reversal of a law of nature in asking the consideration of the expediency of arresting and reversing the movement for the demonetization of silver.⁶⁰

The argument made by gold defenders had been in part a defense of prevailing *laissez-faire* preferences, but as importantly it represented an attempt to obscure the role played by the gold standard in creating the monetary crisis. Professor Walker pushed back against this line in his second, related argument about the merits of international bimetallism. In it he emphasized the role bimetallism played in maintaining monetary equilibrium. “Mr. Goschen concedes to the French law of 1803 [establishing bimetallism in France] the virtues attributed to it by his distinguished fellow countrymen, Mr. Jevons, and the late Mr. Bagehot,” Walker contended. “The French law served as a connecting pipe (to use Mr. Jevons phrase) between the two reservoirs severally of gold and silver,

⁶⁰ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 74.

which would otherwise be subjected to independent variations of supply and demand.”⁶¹

International bimetallism as maintained by France and the Latin Union until 1875, in other words, had been the only reason the changing supply and demand for gold and silver had not produced fluctuations in value over the past six decades of global economic expansion. Walker persuasively made the case that policy changes precipitated the monetary crisis and that bimetallism as it had existed before those changes had stabilized monetary values.

While Walker sustained these lines of arguments, his most compelling argument was the link between the disruption of bimetallism by the German gold standard and the continued lack of recovery from the ongoing economic depression. “The crusade against silver has been undertaken with little or no consideration of the effects upon international exchanges... No man so well knows the difficulties as well as Mr. Goschen,” he said, referring to the disruption of trade between gold standard Britain and its silver standard dependency, India that followed the suspension of bimetallism.⁶² That suspension not only distressed trade but also hampered credit markets, Walker asserted:

The mischief of a contracting circulation [has] twice befallen Europe as the result of the exhaustion of precious metals... It has remained for this generation and this decade to see these mischiefs brought upon Europe by the deliberate acts of government... Suffocation, strangulation are words hardly too strong to express the agony of the industrial body when embraced in the coils of a contracting money supply.⁶³

⁶¹ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 74.

⁶² *Ibid*, 76.

⁶³ *Ibid*, 78.

The aggregate currency in circulation, in other words, had been reduced across the world in ways that inhibited lending, production, and consumption. Reflecting later on the linkage between monetary contraction, debt, and economic stagnation, Walker wrote in the *Princeton Review*, “Moralists and economists rightly visit their severe condemnation upon all schemes for scaling down debts by means of paper-money inflation. Is it any less reprehensible, morally – is it any less a blunder, economically, to adopt measures which must seriously aggravate the pressure of all existing obligations?”⁶⁴ During the sessions of the 1878 Conference in Paris, Professor Walker, through the force of his argument and the esteem granted by his reputation as an economist, proved the most effect advocate international bimetallism.

Despite these efforts, the deliberations in Paris concluded without marked signs of progress toward an agreement. The failure of US efforts to secure a bimetallic accord rested on several factors. Foremost of these was the ongoing institutional strength of the gold standard position and its inverse, skepticism of the bimetallic standard, among European policymakers and monetary diplomats. In addition, there were economic uncertainties. The instability in the price of silver, in particular, remained unresolved in world markets, making agreement on any specific ratio impossible even if all other impediments had been resolved. In this sense, Germany, by not participating in the Conference and by not making clear its intentions regarding its outstanding demonetized silver, prevented accomplishment of a truly universal bimetallic agreement. As one financial journal later noted, “Two [factors] were especially influential in preventing

⁶⁴ Francis A. Walker, “The Monetary Conferences of 1867 and 1878, and the Future of Silver.”

action at the present time. The first was the existence of the German stock of silver still remaining. The delegations from England and France were agreed in attributing to it great importance in its bearing on the price of silver... The second cause... was the wide divergence between the market rate for silver and the mint rate generally prevailing in countries having a bimetallic system.”⁶⁵

German intransigence, however, could not explain the failure of something less than a universal agreement on silver. Those closer to the deliberations, including Professor Walker, placed the failure of a limited or bilateral bimetallic agreement at the feet of France. Following an interview with the Yale economist on the Conference, the *New York Times* later reported, “Professor Walker regards the motives which controlled [French] actions as more political than economical. The most important consideration in the mind of the French cabinet was the fear of alienating Belgium and driving it into closer affiliation with England and Germany. But for this motive, France would have agreed to a bimetallic program.”⁶⁶ For all these reason, the conference concluded without result, except for a modest resolution. On 29 August 1878, the European delegates gathered at Paris adopted a resolution recognizing the necessity of maintaining the use of silver and gold as currency.⁶⁷ Beyond this, the only thing both sides seemed to agree upon unanimously was the motion to adjourn. Later in that same session, having thanked the United States for organizing the conference, the delegates closed

⁶⁵ “The International Monetary Conference: Report of the U. S. Delegates,” *Bankers’ Magazine and Statistical Register* 13, no. 7 (January 1879): 557.

⁶⁶ “Prof. Walker on the Silver Conferences,” *New York Times*, 30 January 1879.

⁶⁷ *The International Monetary Conference of 1878: Proceedings and Exhibits*, 163.

deliberations, leaving each nation to pursue an independent course in response to the global monetary crisis.

A Struggle for Gold and the Return of International Bimetallism

Between 1879 and 1881, the idea of international bimetallism experienced a remarkable renaissance. In a very short period, proposals once viewed as the economic heresies of a peripheral nation were transformed into legitimate policy questions seriously considered in London, Paris, and Berlin. The increasing acceptance of bimetallic ideas, marked by the conversion of key individuals and institutions in Europe, advanced both through the ongoing transnational public debate and through official US diplomacy. This shift in European sentiments, which culminated with great power participation in a second bimetallic conference, rested on three interconnected developments: the material impact of the global economic depression, the intensification of the unresolved monetary crisis, and the success of bimetallic advocates on both sides of the Atlantic.

Among these, the economic depression cast the broadest shadow. As one contemporary economist observed of the era, “1873 occasioned a most curious and unprecedented disturbance... of trade, commerce, and industry. Its most noteworthy peculiarity had been its universality; affecting [all] nations.”⁶⁸ The impact of the

⁶⁸ David Ames Wells, *Recent Economic Changes* (New York: Appleton and Company, 1889), 1.

depression, however, remained uneven, varying in degree depending on the particular circumstances of each European national economy.

If the economic downturn furthered openness to change, in general, the intensification of the monetary crisis helped popularize international bimetallism, in particular. Ongoing decline in silver prices and the increasing demands placed on gold reserves provided twin engines of monetary instability. These two phenomena were deeply intertwined. As one financial journal noted in February 1881, “If nothing should be done to re-monetize silver, it is quite clear that gold must tend year by year to become more scarce. A tendency of gold to become scarce means a tendency to become dear; or, in other words, a tendency to fall in the gold prices of all other commodities.”⁶⁹ This process added to the deflation of commodity prices and therefore the financial burdens of indebted producers – an outcome that united agriculturalists as disparate as aristocratic German Junkers and hard-scrabble English yeoman in agitation against the gold standard and in favor of government action against the further fall of silver. These economic and monetary dilemmas combined to make European policymakers more attentive to the problem of silver and the diplomatic remedy of international bimetallism.

The new openness among European governments on the question of silver money also depended on the success of US diplomacy. The Hayes administration had come to embrace proposals for international bimetallism. Confronting agitation from the agricultural Midwest for the unilateral and unlimited restoration of silver money at home and the ongoing fall of silver prices abroad, the Hayes administration had been

⁶⁹ “The Threatened Struggle for Gold,” *Saturday Review of Politics* 51 (February 1881): 176.

persuaded, like Congress, by the arguments of bimetallic advocates. To its supporters, international bimetallism provided both a moderate degree of monetary expansion and promised to restore levels of trade previously enjoyed between silver standard and gold standard nations. Noting the official enthusiasm generated by such possibilities, the *New York Times* reported in September 1879, “Both the President and Secretary Evarts are disposed to agitate the matter.”⁷⁰ This administration outlook was confirmed subsequently in official instructions from the Secretary of State to US diplomats in Europe. As Evarts revealed, “The President has felt that the first and most advantageous step which he could take... would be the designation of a suitable person to visit Europe, both to communicate our views and to learn those of the European governments on the grave subject of the restoration and maintenance of the two precious metals of silver and gold as the intrinsic money of the world.”⁷¹ Prospects of economic recovery motivated these administration efforts and helped explain the progress of US bimetallic diplomacy in Europe.

In the diplomatic initiatives three figures played a decisive role during this period, Secretary of the Treasury John Sherman, Secretary of States William Evarts, and business executive George A. Walker of New York. Of these men, Secretary Sherman possessed the greatest reputation. As 1878 closed, Sherman was already being discussed as a candidate for the Republican nomination for president in the next election, thanks to his skillful management of government finances and the successful resumption of specie

⁷⁰ “The Standard of Value: Results of the Paris Conference,” *New York Times*, 6 September 1879.

⁷¹ William M. Evarts to George A. Walker, 19 July 1879, Instructions 1801-1906, Special Missions, Vol. 3, RG59, Microcopy No. 77, Roll 154, NARA.

payments. Though Sherman was not involved directly in US monetary diplomacy, this reputation as the leading Republican on finance made his public support for international bimetallism key to legitimizing these efforts.

While Sherman provided political legitimacy at home, Secretary of State William Evarts managed US efforts abroad. Evarts, even before the monetary crisis, had experiences that inclined him toward international bimetallism. As an astute Republican operative from New York, the Secretary was deeply attuned to the interests of American finance. As an experienced diplomat, he possessed important connections to officials in Europe.

Though these cabinet officers played important roles in Washington, it was left to business executive and monetary expert George A. Walker of New York to persuade European policymakers in person. In 1879, he was appointed by the Hayes administration as special agent of the United States on the question of international bimetallism.⁷² Given his experiences, George Walker proved to be an ideal candidate for a diplomatic mission involving complex macroeconomic policy questions. Walker, a Harvard-trained lawyer and vice president of Western Union Telegraph Company, was deeply enmeshed in the web of financial and industrial operations centered in New York. At a New York City fête honoring Walker, the press noted his influential acquaintances. “The friends of George Walker gathered in the large dining room of the Union League Club rooms last night to take part in a complimentary dinner tendered to that gentleman

⁷² Evarts to Walker, 16 July 1879, , Instructions, 1801-1906, Special Missions, Vol. 3, RG59, Microcopy No. 77, Roll 154, NARA.

on the eve of his departure for his new post... Thirty-four guests in all sat down, including George William Curtis, J. Pierpont Morgan, Horace White, and Whitelaw Reid.”⁷³ That evening, George William Curtis, editor of *Harper’s Weekly*, raised a toast to Walker, declaring, “In clearness of intelligence, in alertness of mind, and in all other special accomplishments which went to make up the requisites of a diplomatist, [George Walker] was everything that could be desired.”⁷⁴ This combination of ability and influence made the New York executive a solid choice for the Hayes administration, as Evarts confided, “The President has felt that you will bring to the task both the knowledge and the faculties suited to its proper performance.”⁷⁵ That task was to return the European powers to the negotiating table at a second bimetallic conference. By spring 1881 that US aim had become a reality through the efforts of Walker, Evarts, and Sherman.

Within eighteen months of the Walker mission, US bimetallic diplomacy along with the ongoing economic and monetary problems facing each nation in the global economy combined to bring the major European powers to the 1881 International Monetary Conference. In each country, however, these factors comingled in different ways. In Britain, between 1879 and 1881, the previously unimpeachable position in favor of the gold standard increasingly found itself on the defensive. During this period, the arguments for international bimetallism widened their influence, moving from policy prescriptions of India Office officials to questions of growing public debate about

⁷³ “Consul-General Walker,” *New York Times*, 10 March 1880.

⁷⁴ *Ibid.*

⁷⁵ Evarts to Walker, 19 July 1879, Instructions, 1801-1906, Special Missions, Vol. 3, RG59, Microcopy No. 77, Roll 154, NARA.

government action. The ongoing stagnation of economic activity hastened this shift. Disraeli himself in September 1879 acknowledged the effect on agriculture, in particular: “There can be no doubt that there is at this moment on the agricultural interests of this country a strain which is certainly unprecedented in [our] lives... and which is not easily equaled in the records of our history.”⁷⁶ These economic circumstances produced a deep rupture of British confidence in the institutions and economic theories that had been a source of national pride. “Whatever England’s future may be, she is suffering through a supreme crisis; she is in the midst of great national troubles,” remarked one London journal. “May it not be that the present falling back of English trade, the universal distress, the hopelessness in the future, the dishonest practices of our financiers, the selfish partisanship of our statesmen are all details in the general aspect of a great nation that is suffering its race to decay?”⁷⁷

In this anxious environment, distinct fissures in the gold standard consensus that defined official Britain began to emerge. Signs of these divisions had appeared as early as the recent Monetary Conference, at which the British delegation had clearly moved toward the bimetallic assessment of German demonetization. Opinion in Britain, in other words, was shifting from the advocacy of a true international gold standard to one of a gold standard for Britain and silver or bimetallic standards for the rest of the world. Further indicators of changing British sentiment emerged with attempts to circumscribe the virtues assigned to the gold standard by British national pride. In an effort to obscure

⁷⁶ “Lord Beaconsfield on the Depression of Agriculture,” *Manchester Guardian*, 19 September 1879.

⁷⁷ “Decay of British Trade,” *New York Times*, 9 January 1879.

the role of these British sentiments in the switch by Germany to the gold standard, one London journal contended, “The preeminence of England in trade and manufactures, and the just authority of her political economists, has given prevalence to the idea that her monetary system had not only contributed to her prosperity, but that it was as deserving of imitation as her political institutions.”⁷⁸ This line of argument extended to national politics, with telling prior comments of Prime Minister Benjamin Disraeli unearthed to stir public debate. “An opinion has been very prevalent among the statesmen of Europe that the commercial prosperity and preponderance of England were to be attributed to her gold standard,” declared the Tory leader in 1873. “But it is the greatest delusion. Our gold standard is not the cause of our commercial prosperity, but the consequence of our commercial prosperity.”⁷⁹ Together, these were signs that discernible cracks in the gold standard consensus within Britain emerged during this period.

This sort of trimming on the subject of the gold standard was matched by arguments in favor of bimetallism in Britain. As one sympathetic report noted, “One of our deputies to the Paris Conference found much less aversion [to bimetallism] in the City than he imagined.”⁸⁰ New openness among London financiers rested on growing concerns about the impact of gold scarcity on the capital markets. “For some time back the business community has been disturbed by the apprehension of a large export of gold to the United States,” said the conservative *Saturday Review* in September 1880. “Were such an export to take place, it would drain away the reserve of the Bank of England and

⁷⁸ “Germany, India, and the Silver Question,” *Saturday Review* 47, no. 1234 (June 21, 1879): 771–72.

⁷⁹ Quoted in George Weston, “Silver Demonetization: Former British Opinions,” *Bankers’ Magazine and Statistical Register* 13, no. 4 (October 1878): 261.

⁸⁰ Williamson, “The Discrediting of Silver.”

raise the rates paid for the use of capital.”⁸¹ These concerns were not limited to the financial class but extended to northern industrialists and merchant barons. As early as March 1879, the Liverpool Chamber of Commerce endorsed international bimetallism in a memorial transmitted to the Chancellor of the Exchequer. Speaking of the role of French bimetallism in English trade with India, it read: “[Before 1875] England, more than any, enjoyed the advantages of bimetallism.”⁸²

As the public debate proceeded in Britain, no development gathered more notice than the conversion to international bimetallism made by Bank of England Director Henry Hucks Gibbs. In September 1879, he published the pamphlet *Silver and Gold*, outlining his new bimetallic beliefs. In Britain, Gibbs was among the most respected figures in government on matters of national finance, having served as a stalwart defender of the gold standard on the Royal Commission on the Depreciation of Silver and at the recent International Monetary Conference, in addition to his role at the Bank of England. The significance of the changed outlook of such a prominent financial conservative was not lost on contemporaries. Speaking of Gibbs’ conversion, one London journal called it “striking proof of the impression made on the minds of the business community by the depreciation of silver.”⁸³ Although Gibbs did not acknowledge the influence of American bimetallic advocates in his pamphlet, one newspaper account suggested a causal connection: “Mr. Gibbs’s arguments are by no means new. They are in substance to be found in the memoranda and speeches of the

⁸¹ “The Expected Drain of Gold,” *Saturday Review* 50, no. 1299 (September 18, 1880): 364–65.

⁸² “An International Ratio for Silver,” *Bankers’ Magazine and Statistical Register* 13, no. 11 (May 1879): 877.

⁸³ “Bimetallism,” *Saturday Review* 48, no. 1247 (September 20, 1879): 354–355.

American commissioners at Paris.”⁸⁴ The conversion of Gibbs – along with the new openness in finance and new agitation in trade and industry – marked a distinct shift toward bimetallism within Britain following the 1878 Conference.

By the end of 1879, these fissures in the British gold standard consensus had significantly unsettled public debate, suggesting the need for government action. One indication of the concern raised within the Disraeli government was the sustained effort of the Foreign Office to collect intelligence on monetary opinion and national finances from its representatives in Europe and the United States. Throughout 1879, reports from Vienna, Berlin, Paris, and Washington recorded the monetary status of each nation.⁸⁵ In September that year, the British Minister to the United States returned one such report to the Foreign Office. “There can be no doubt that the United States government, and particularly Mr. Evarts and the Secretary of the Treasury, Mr. Sherman, are extremely anxious to establish an international bimetallic standard in concert with European powers, and especially with Great Britain.”⁸⁶ British policymakers appeared anxious as well where the same deflationary pressures on commodity prices added to agricultural distress and political discontent sweeping Britain during the late 1870s. As Oxford economist Thorold Rogers warned, “The first cause [of the depression], and in all probability the most enduring, is the rapid rise in the value of gold.”⁸⁷ Though official policy moved no

⁸⁴ “A Convert to Bimetallism,” *New York Times*, 13 November 1879.

⁸⁵ See, for example, Julian Pauncefoot to Treasury Office, 31 December 1878, TO, Box T1/16823, BNA. See also, Lyons to Lord Salisbury, 14 July 1879, TO, Box T1/16823, BNA.

⁸⁶ Edward Thornton to Lord Salisbury, 22 September 1879, TO, Box T1/14072, BNA.

⁸⁷ Thorold Rogers, “Causes of the Depression,” *Princeton Review* (January 1879), 227-228.

closer toward bimetallism, an increasing sentiment developed that in order to end the depression something should be done to restore silver to circulation.⁸⁸

For Britain, these difficulties posed not only domestic but also imperial policy questions. The declining price of silver, in particular, threatened British imperial fortunes by disrupting British trade with India and by making payments on Indian debt increasingly difficult to meet. Because those debts paid to London were denominated in gold sterling and India operated on – and collected revenues in – silver rupees, the fall of silver by seventeen percent constituted a proportionate increase in the amount of Indian revenue needed to pay those debts. By December 1879, the imperial aspects of the monetary crisis had moved from India Office memoranda to the leading London papers. “The position [of silver] is being rendered more serious than some *laissez-faire* monometallists would have us believe,” said one such journal. “Unfortunately that evil attaches more powerfully to the British Empire than to any other country or government in the world. The very fate of India is in question. How are the Indian deficits to be overcome?”⁸⁹ While these developments did not produce action by the Disraeli government, evidence shows that cabinet officials – and especially the India Office and Foreign Office – were keenly aware of the dangers to the British Empire posed by the monetary crisis.

⁸⁸ Goschen, at the time of the Conference, had already hinted at official British concern over rejecting international bimetallism out of hand: “If this proposition [for international bimetallism] were rejected entirely, the rejection might be misinterpreted by the public. It would, perhaps, be regarded as a verdict against silver money. The future position of silver would be affected, and the impression would not correspond with the opinions of the great majority of the conference.” *The International Monetary Conference of 1878: Proceedings and Exhibits*, 50.

⁸⁹ “Silver,” *London Examiner*, 6 December 1879.

In Germany, during the same period, the gold standard policy of the Bismarck government came under similar pressures. Ongoing economic stagnation spurred growing skepticism toward the German gold currency. German agriculturalists, like their British counterparts, faced declining crop prices. German industry had stalled both from the collapse of demand and rise of interest rates under the influence of the gold standard. “The years 1873-80,” a respected historian of Germany has noted, represented “an unprecedented jolt to the new economic order in Germany... [It] left permanent changes in the German economic landscape.”⁹⁰ Among those changes, agitated by landlords and industrialists alike, were calls for protective tariffs, price cartels, and revisions to the German gold standard. By early 1881, the exuberance and pride that accompanied the creation of the German Empire a decade earlier appeared, to many, as a distant memory when contrasted with the anxieties of the present economic moment.

In this uncertain environment, distinct fissures in the political consensus supporting the German gold standard developed, culminating with the acceptance by Germany of the US invitation to a second bimetallic monetary conference. This official *volte face* reflected growing skepticism toward the gold standard among business leaders and, confidentially, in the highest councils of government. As early as spring 1879, the German banking sector opened the debate on the future of the German currency. “At their monthly meeting the directors of the Imperial Bank of Germany passed a resolution declaring that an increase of the silver currency of Germany is imperatively necessary,”

⁹⁰ David Blackbourn, *History of Germany 1780-1918: The Long Nineteenth Century* (Oxford: Blackwell, 2003), 144-145.

reported the *Pall Mall Gazette* from London.⁹¹ The Reichsbank, the central bank of the German Empire, was keenly aware of global monetary instability. As the arbiter of the credit system and overseer of the conversion to the gold standard, the Reichsbank faced two related dilemmas. The first was the defense of national gold reserves in the face of increasing worldwide demand. The second was the sale of demonetized German silver on the open market, which facilitated German purchases of gold. With the ongoing fall of silver, Germany could only continue these operations at a considerable loss. These losses totaled 92.5 million marks, by 1879, according to one report.⁹² Losses to the German government were so pronounced that they hastened official action. On 17 May 1879, the Bismarck government announced the suspension of government sales of silver. This policy change represented an official acknowledgement of the difficulties of maintaining the gold standard and contributed more than any prior factor to unsettling the gold standard consensus inside Germany. The importance of that change was measured in reactions both from money markets and governments around the world. In the United States “the mere announcement of the intended suspension of silver sales [by Germany] sent the price up six percent. That showed what an important influence Germany’s silver had upon the market,” according to one report.⁹³ These developments together created fissures that called into question the future of the German gold standard.

The dramatic policy announcement, in addition, set off a brushfire of speculation regarding the German currency. The president of the Reichsbank, Hermann von

⁹¹ “The Silver Question in Europe: An Increased Demand in London,” *New York Times*, 26 June 1879.

⁹² “Germany’s Silver Policy,” *New York Times*, 20 June 1879.

⁹³ “Silver in Germany: The Loss of the Government by Its Sales,” *New York Times*, 7 July 1879.

Dechend, attempted to settle the controversy inside Germany by clarifying the decision-making process in a speech to the German Parliament: “Since 1878 the price of silver [has] fallen considerably... No one could have imagined it would be so serious. Having these facts in view I deemed it my duty to urge the Chancellor to suspend selling.”⁹⁴ This public confession, however, did little to slow down the stream of rumor that crossed outside of Germany. In June the US Minister to Berlin reported the controversy to Washington.⁹⁵ The *New York Times*, in addition, relayed reports from London of “rumors that the [German] government intends to interfere with the gold coinage standard.”⁹⁶ In Berlin, public sentiment seemed to move even further toward bimetallism in August, when Dechend declared his conversion to bimetallic reform in a series of articles published in Berlin.⁹⁷ Outlining his rationale, Dechend cited the burdens imposed on the credit system by the imperatives of the gold standard and the ability of the bimetallic standard to alleviate those problems.⁹⁸ Increased support for bimetallism stirred the banking sector more broadly. As one report to the British Foreign Office concluded, “Certain capitalists of Germany are endeavoring to bring about an international meeting at Berlin for the purpose of considering the silver question and with a view to adopting the bimetallic standard.”⁹⁹ By late 1879, the consensus in favor of the gold standard inside Germany had been significantly unsettled by painful ongoing

⁹⁴ Ibid.

⁹⁵ Andrew D. White to Evarts, 29 June 1879, *FRUS 1879* (Washington: GPO, 1933), 385.

⁹⁶ “Affairs in Germany: The Gold Standard,” *New York Times*, 29 May 1879.

⁹⁷ For details see Albrecht Sommer, *Die Reichsbank Unter Hermann von Dechend* (Berlin: Reimar Hobbing, 1931).

⁹⁸ “Bimetallism in Germany [from *L’Economete Francais*],” *Bankers’ Magazine and Statistical Register* 15, no. 3 (September 1880): 196.

⁹⁹ Edward Thornton to Lord Salisbury, 22 September 1879, TO, Box T1/14072, BNA.

economic difficulties and by the portentous halt of silver sales by the Bismarck government.

The changing landscape of public debate in Germany, however, did not mean that the Bismarck government was ready to change its gold standard currency or participate in a second bimetallic conference. In June 1879, Chancellor Bismarck had denied that the suspension of silver sales indicated any particular course on the monetary question in a speech to the Reichstag: “I can assure you that from no quarter, neither the Federal Council nor the Prussian Ministry, has there come any proposal to change our coinage.”¹⁰⁰ Nevertheless, the United States pursued Germany on the question of international bimetallism. Confidential Agent George Walker of the United States arrived in Berlin that September determined to influence the Bismarck government. German cooperation remained essential to resolving the monetary crisis because the ongoing sales of surplus German silver had disturbed the market price so dramatically. As one financial expert noted, “It would be indeed a signal service to those vast interests which are touched by the depreciation of silver, if the German government could be induced to remove so far as possible the mystery which still surrounds the question of their disposable stocks [of silver].”¹⁰¹ Germany had done so in May 1879 and as the summer turned to autumn the moment seemed ripe to secure an international agreement on silver. Walker had good reason for optimism. From London, he carried a copy of a recent confidential conversation between Bismarck and the US Minister at Berlin

¹⁰⁰ Andrew D. White to Evarts, 29 June 1879, *FRUS 1879*, 385.

¹⁰¹ “Report on the Select Committee on the Depreciation of Silver,” *Edinburgh Review* 144 (October 1876): 501-535.

Andrew White in which the German Chancellor expressed interest in a second bimetallic conference. "He declared that Germany would unite in such a conference very gladly," White reported.¹⁰² Despite these hopes, George Walker was not permitted an interview with Bismarck that September. What likely won the American envoy such a cold reception in Berlin was the public revelation of these cooperative signals. On the eve of Walker's arrival, London newspapers had published a series of telegrams detailing the German Chancellor's openness to monetary diplomacy. Coming so soon after his sharp denials of monetary policy adjustment to the Reichstag, this news made it politically inopportune to meet with the US monetary diplomat. Walker later recorded of his subsequent correspondence with the Chancellor: "Prince Bismarck declared these disclosures had a formidable influence in the subsequent discussion of the silver question which I took part in both in England and on the Continent."¹⁰³ Despite these embarrassments to the German government, the confidential conversation had revealed Bismarck's interest in some diplomatic agreement. In his final report to Washington, Walker recorded that "Prince Bismarck in a later communication stated that he would not himself decide so important a matter as the question of monetary [systems]... If at any time the United States government submitted, through its representatives at Berlin, definite proposals, the German government would take them into the most serious consideration."¹⁰⁴

¹⁰² Walker to Evarts, 10 November 1879, Despatches, 1789-1906, Special Missions, Vol. 30, RG59, Microcopy No. 30. Roll 13, NARA.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

Though Walker returned to the United States in November 1879 without an official German commitment, there were increasing signs that Germany was moving toward some reconsideration of the gold standard and that the public and private views of the German Chancellor were coming into alignment. In April 1880, the Federal Council passed legislation that provided for a moderate increase of the silver currency in circulation. Later that summer, a resolution calling for the establishment of bimetallism in Germany was passed by the influential planter aristocrats at the German Agriculturalist Congress.¹⁰⁵ Speaking of this series of developments, Walker commented, “On the Continent, the opinion [is] gaining ground that Germany would never recover her financial status until she restored silver to circulation.”¹⁰⁶ By February 1881, without committing itself to a defined policy, Germany accepted the US invitation to the International Monetary Conference. To observers, it appeared that the Walker mission had been influential in securing this outcome. “It is expected, as a result of the efforts of George Walker,” recorded the *New York Times* “that Germany will consent to participate in the proposed international monetary conference.”¹⁰⁷ In Germany, economic distress, problematic monetary operations, and US diplomacy combined to move the Bismarck government toward participation in a second bimetallic conference.

In France, as in Germany and Britain, developments conspired to move public debate and official policy in the direction of international bimetallism and a second conference between 1879 and 1881. Circumstances confronting the the recently

¹⁰⁵ Russell, *International Monetary Conferences*, 266.

¹⁰⁶ “Consul-General Walker,” *New York Times*, 10 March 1880.

¹⁰⁷ “Editorial,” *New York Times*, 29 September 1879.

established Third Republic under the Grévy government, however, were distinctly different than those faced by the gold standard powers. France, despite the closure of mints to new silver coinage, remained on a bimetallic currency and led the Latin Monetary Union. In France, therefore, economic and monetary difficulties threatened the establishment position in favor of bimetallism more so than the gold standard.

The first threat to the rehabilitation of French bimetallic currency emerged at the 1878 International Monetary Conference. The fall of silver prices worldwide, by then, had driven deep divisions between the member states of the Latin Union. As the official British report concluded, “It is to the delicate relations, political and financial, of the Latin Union that the failure of the conference to adopt any positive measures is primarily to be referred.”¹⁰⁸ In Belgium and Switzerland, in particular, new governments favoring the gold standard came to power as a result of the economic depression. Yet the fall of silver also threatened bimetallic countries economically in two distinct ways, first by draining national gold reserves when capital-holders insisted on exchanging silver for gold. The fall of silver also threatened bimetallic states by pushing the bullion value of silver below the value at which silver was minted into currency. Under current world monetary conditions, the five franc silver coin, for example, was no longer worth five francs. These conditions disrupted international transactions more than domestic ones. France and the Latin Union countries, in circumstances similar to India, faced a growing penalty when domestic silver currency had to be exchanged for the payment of foreign

¹⁰⁸ “The International Monetary Conference,” *Saturday Review of Politics* 51 (March 1881): 369-370.

obligations. In fall 1878, the price of silver fell further still, increasing divisions between France and its partners in the Latin Union.

Under these circumstances, the bimetallic position of France faced its most significant threat in November 1878 from the pending renewal of the treaty organizing the Latin Union.¹⁰⁹ On the question of renewal, opinion on all sides appeared decidedly against the proposal. In France, a Senate committee recommended against renewal in spring 1878. Even staunch bimetallicists such as Finance Minister Leon Say conceded that under current conditions France suffered from the treaty because she was obligated to take in more and more devalued silver from partner countries such as Italy, which operated on a paper currency at the time. Belgium and Switzerland, given their inclinations toward the gold standard, also appeared ready to let the treaty expire. As one secondary account observed, “Monetary feeling in all the countries was by this time well defined, and all were evidently waiting for 1 January 1880, when they would be freed from the obligations entailed by the treaty of 1865.”¹¹⁰ Nevertheless, the member-states, after meeting in conference through the last months of 1878, announced the renewal of the Latin Union, extending the monetary agreement an additional eight years.

What explains such an outcome, given the policy divisions and monetary difficulties facing member states? The debates of the Latin Union negotiations revealed that the preponderance of foreign silver held by France appeared decisive.¹¹¹ The

¹⁰⁹ For an overview, see *Conférence Monétaire entre la Belgique, la France, la Grèce, l'Italie e la Suisse en 1878: Convention et Procès-verbaux* (Paris: Imprimerie Nationale, 1878).

¹¹⁰ Henry Parker Willis, *A History of the Latin Monetary Union: a Study of International Monetary Action*, Economic Studies of the University of Chicago no. 5 (Chicago: University of Chicago Press, 1901), 171.

¹¹¹ *Conférence Monétaire entre la Belgique, la France, la Grèce, l'Italie e la Suisse en 1878*, 118.

delegates in attendance agreed that France held approximately 500 million francs worth of foreign silver coins from member-states. If the treaty expired, in other words, each of the smaller states would be obligated to redeem those coins in gold, which none could afford to do, given the losses imposed by the devaluation of silver.¹¹² Despite maintaining current silver currency within the Latin Union, the treaty extended the suspension of silver coinage for the following seven years. To outside advocates of international bimetallism, the renewal of the Latin Union Treaty was a clear signal that France would not act alone to restore silver.¹¹³ However, this development also indicated that France under the Grévy government was likely to favor some form of international bimetallism between the great powers and the United States.

Despite the defensive renewal of the Latin Union necessitated by the world monetary crisis, France faced additional pressures that helped move policymakers toward international bimetallism during this period. Foremost among these was the increasing worldwide demand for gold. Though France had limited the outflow of gold by suspending the coinage of new silver; there were other means by which national gold reserves could be diminished, both by increased demand in the money markets and by the payment of foreign obligations in gold. The pressure on French reserves advanced by both methods especially after 1878. The situation appeared dire to observers inside and outside of France by early 1881. In London, the conservative *Saturday Review* noted, “The Bank of France has been rapidly losing its gold; last week there remained of gold

¹¹² Willis, *A History of the Latin Monetary Union*, 181.

¹¹³ George Walker, “Renewal of the Latin Union,” *Bankers’ Magazine and Statistical Register* 13, no. 7 (January 1879): 499.

only £22.3 million.”¹¹⁴ In Paris, Bank of France President Louis Jules de Normandie later highlighted the pressure that ongoing trade deficits, in particular, placed on gold reserves under current economic and monetary circumstances:

If we examine the customs statistics we find that from 1876 to 1880 the excess of importations [to exportations] is £180,560,000. What has been the effect on the movement of precious metals and the reserves of the Bank of France? It is this... The constitution of the reserve was modified in the same proportion. It was composed, in 1876, of £61 million in gold and £25.6 million in silver. In 1880, it was £22.5 million in gold and £48.8 million in silver... [This] was true exportation, for the arrivals of gold in the United States permit us to follow almost steamer by steamer from the other side of the Atlantic the effect of the withdrawals of coin from the Bank of France.¹¹⁵

These alarming developments made it clear to the Grévy government that the gold standard posed a zero-sum game, a contest between nations for gold, even for bimetallic nations. By late 1880, circumstances pushed France toward a second diplomatic effort to establish international bimetallism.

Renewed interest in international bimetallism among French officials was fostered by these material developments, but it was also facilitated by US diplomatic efforts – again in the person of American envoy George Walker. The influential New York executive, by 1880, had been appointed Consul-General at Paris for the United States by President Hayes. From that post in the French capital, Walker became the key American interlocutor with France regarding monetary issues, discussions which

¹¹⁴ “The International Monetary Conference,” *Saturday Review* 51 (March 1881): 369–70.

¹¹⁵ *Ibid.*

culminated in a joint US-French invitation to a second bimetallic conference.¹¹⁶ Since the end of his confidential mission to Europe the previous year, Walker had been in frequent contact with Leon Say, former French minister of finance by then serving as the president of the senate.¹¹⁷ In November 1880, Say requested a meeting with Walker, which marked the beginning of a series of wide-ranging discussions on the monetary question and the possibility of joint action. Of particular concern to Say was the disposition of the president-elect on the issue of international bimetallism. Walker reported, “I told him that General Garfield had always explained himself to me as holding views identical to my own.”¹¹⁸ This likely emboldened Say to reveal the current aims of France. In a subsequent interview, the French official made clear his ultimate interest in a bilateral monetary union between France and the United States. Say laid out the plan in a fourteen-page draft treaty, the details of which give us some sense of the seriousness of French diplomacy.¹¹⁹ Though the incoming Garfield administration ultimately deprecated the bilateral proposal, these negotiations, and Walker in particular, contributed to the renewed pursuit of international bimetallism in France.

By spring of 1881, the fortunes of international bimetallism in Europe had shifted considerably in an optimistic direction. In the principle gold-standard countries, Britain and Germany, the previously idealized British monetary system found itself on the

¹¹⁶ Walker to Evarts, 10 November 1880, Despatches 1789-1906, Special Missions, Vol. 30, RG59, Microcopy No. 39, Roll 13, NARA.

¹¹⁷ Ibid.

¹¹⁸ Walker to Evarts, 24 November 1880, Consular Despatches 1790-1906, Paris, Vol. 22, RG59, Microcopy No. T-1, Roll 22, NARA.

¹¹⁹ Walker to Evarts, 5 January 1881, Consular Despatches 1790-1906, Paris, Vol. 22, RG59, Microcopy No. T-1, Roll 22, NARA.

defensive from rhetorical assaults launched from prominent institutions and individuals. The professional associations of the British merchant class and those of the German planter class alike pronounced in favor of bimetallism; renowned Oxford economists and well-placed Berlin financiers also found common cause in international bimetallism. In bimetallic France, official interest also moved significantly away from the decisive indifference on display at the 1878 Monetary Conference. These shifts were driven by the political instability engendered by ongoing economic stagnation, in general, and the impediments to growth posed by the fall of world silver prices, in particular. Aided by these material changes, US bimetallic diplomacy succeeded in drawing the leading commercial powers of Europe into a second bimetallic conference.

The Triumph of the Bimetallic Argument

On 19 April 1881, as the delegates to the International Monetary Conference gathered again at Paris, it was clear to observers that much had changed since the negotiations of 1878. Ongoing economic difficulties in Europe and the pursuit of international bimetallism by the United States had combined to make the 1881 Conference the most serious and sustained diplomatic effort to resolve the monetary and commercial crises created by the fall of silver. “The principal countries moving in the matter have so much interest in definitely settling the question of currencies, that there is on all sides a disposition to come to an agreement,” predicted the *Times* of London.¹²⁰ The conference met in fourteen sessions between April and July 1881 and was marked

¹²⁰ “Foreign Financial Matters,” *New York Times*, 27 March 1881.

both by rhetorical retreats and explicit policy concessions on the part of the gold standard powers, Britain and Germany. Another measure of the gravity of the deliberations was the prominence of the men representing European interests, including, from Britain, Sir Charles Freemantle, Director of the Royal Mint, and Sir Louis Mallet, Undersecretary of State for India. All of these were signs of the seriousness with which Europe considered the arguments made by bimetallic advocates of the United States.

Not only had sentiments regarding bimetallism shifted among the great powers, but in many ways so had the relative dispositions of power between those countries in attendance. The intensification of European economic difficulties since 1878 had strengthened the American economy in ways that had pulled the United States out of recession and toward years of growth. President Hayes, in his last annual message to Congress, noted this progress: “By the favor of Divine Providence, we have been blessed this past year with health, with abundant harvests, and with profitably employment for all our people... The present financial situation of the United States is more favorable than that of any other country of our time. All our industries are thriving, the rate of interest is low, new railroads are being constructed, [and] a vast immigration is increasing our population.”¹²¹ These developments signaled not only economic recovery within the United States but also the prospect of growing US economic power abroad. One worried European economist, Emile de Laveleye, noted these trends and their implications for the new bimetallic conference:

¹²¹ *FRUS 1880*, xvi.

Formerly, we [Europeans] owned a great portion of the American national debt. Now, however, the money once so invested in Europe is crossing the Atlantic to pay our own American debts. Very soon the American will be purchasing European [bonds] and we shall have fresh remittances to make to them. Besides their cotton, their corn, their petroleum, and their meat, we shall have to pay them interest on our public funds. If we accept the monetary arrangement America offers us, we could pay [those] debts in silver or gold.¹²²

In these ways, the fortunes of the global economy gave the United States more freedom to maneuver in bimetallic negotiations and gave European counterparts a greater sense of urgency for some coordinated international action on the question of silver currency than at any prior moment.

Given these changed circumstances, US expectations for the conference were optimistic. The joint invitation with France, and the ready acceptance of it by Germany and Britain, seemed to confirm the European shift toward bimetallism documented by US bimetallic envoy George Walker in recent years. In Britain, in particular, though the official acceptance had insisted on the maintenance of the British gold standard, there were signals that some concessions on silver would be offered.¹²³ Current Bank of England director Henry Riversdale Grenfell had, in recent months, joined his predecessor Henry

¹²² Emile De Laveleye, "The Monetary Question," *Bankers' Magazine and Statistical Register* 15, no. 7 (January 1881): 523.

¹²³ Undersecretary T.S. Seacombe to Treasury Office, 6 April 1881, TO, T1/13004, BNA. The Secretary of State in Council for India indicated openness to coordinated changes in international monetary affairs in reply to queries from the Treasury Office. In addition opinion within the Bank of England had shifted toward participation.

Gibbs in declaring for international bimetallism.¹²⁴ In the United States, the incoming Garfield administration, acknowledging these positive signals, asked the most prominent expert on US bimetallic diplomacy, outgoing Secretary of State William M. Evarts, to lead the US delegation in Paris. The prominence of Evarts was matched by the bold language of the invitation. It abandoned the deferential phrases of 1878, which invited the powers to debate the merits of all monetary systems. The recent invitation instead called on the International Monetary Conference of 1881 to recommend “a plan for the establishment by means of international agreement of the use of gold and silver as bimetallic money.”¹²⁵ These factors, taken together, offer an indication of the ambitions and expectations with which William Evarts and US representatives arrived at Paris that spring.

Despite these advantages, international bimetallism still faced significant obstacles at the conference. Foremost among these was the preponderant influence of Britain—and the British gold standard—upon the continental powers. As the leading German delegate admitted, “The attitude of Britain had some effect on the resolutions of the German government, for not only had Germany a

¹²⁴ As early as August 1879, Henry R. Grenfell had adopted the bimetallic argument regarding the central cause of the monetary crisis, contending, “The demand for Gold [by] Germany has upset all the gold markets of the world and all the silver markets. The theory that discoveries in America have had anything to do with the dislocation in the prices of the precious metals is now almost universally rejected.” *The Economist*, 2 August 1878, reprinted in Henry Hucks Gibbs, ed., *The Bimetallic Controversy: A Collection of Pamphlets, Papers, Speeches and Letters* (London: E. Wilson, 1886), 67. By June 1881, Grenfell had endorsed bimetallism publicly in “What is a Pound?” *The Nineteenth Century* (June 1881), reprinted in *Ibid.*, 111.

¹²⁵ Quoted in “The Bi-Metallic Conference,” *New York Times*, 17 March 1881.

very considerable direct commerce with England, and highly developed financial relations, but she also paid by bill on London a great part of her Asiatic and Transatlantic commerce.”¹²⁶ Because sentiments such as these were shared broadly among British trade partners, the disposition of Britain remained the key to bimetallic success.

The proposed system of international bimetallism also confronted lingering skepticism among opponents at Paris. The unaltered defense of the gold standard on display in 1878 was almost entirely absent in the 1881 deliberations. Nevertheless, concerns about the viability of international bimetallism and the risks involved should a monetary treaty breakdown persisted. Skeptics, led by the gold standard advocates of Belgium and Norway, argued that international bimetallism violated the principle of *laissez-faire* non-intervention. Even if bimetallism were established, they argued, no law or treaty could set the relative market value of silver to gold. Belgian delegate Eudore Pirmez exemplified this skepticism, arguing:

Any system which fixed [the] ratio between gold and silver is a system formally opposed to all economic laws. By proposing it, its supporters adopt the principle of regulation. They start from the erroneous idea that it is the duty of laws to regulate the internal and external commerce of the state. This procedure has already been too much abused – by the regulation of production, and by the laws of protection... This idea is at the bottom of the present proposals of the bimetallicists.¹²⁷

¹²⁶ Alfred C. Tupp, tran., *Proceedings of the International Monetary Conference 1881* (London: P.S. King, 1881), 60.

¹²⁷ *Ibid*, 74.

At Paris, bimetallic advocates were well-prepared to contend with this kind of ardent monometallist obstructionism but were less prepared to deal with impediments thrown up by their monetary allies. The *ad hoc* proposals of bimetallic iconoclast Henri Cernuschi, in particular, created problems. Cernuschi, whose appointment as an official French delegate had been initially welcomed by American advocates, soon proved that his rhetoric was more suited for print than for diplomacy. In an early session, deviating from the plan of the conference intended by the United States and France, Cernuschi proposed a plan to pay Germany 96 million marks for its losses in establishing the gold standard in exchange for adopting bimetallism. Speaking to the delegates gathered at the Ministry of Foreign Affairs, he concluded: “One must blot out from history these ten years, and come back to the state of things before the monetary war; in short we must pay for the disastrous monetary experiment tried by Germany.”¹²⁸ Neither the countries expected to pay Germany nor the representatives of Germany took the proposal seriously and the diversion seemed to set back momentum toward a serious agreement. By early May, it was already clear to US advocates that these factors—British influence, skepticism toward bimetallism, and the impediments of undisciplined allies—combined to place significant obstacles in the path of any diplomatic agreement.

Despite such obstacles, the cause of international bimetallism pursued by the United States garnered a number of notable successes at the 1881 Monetary Conference. The clearest of these accomplishments was the rhetorical triumph of bimetallic arguments, especially among the leading gold standard powers. During deliberations at

¹²⁸ Ibid, 23.

Paris, Britain and Germany repeatedly embraced lines of argument regarding the fall of silver and the resulting disruption of global trade and investment first made by bimetallic advocates. From the outset, the chief delegate of Germany, Baron Thielmann, acknowledged the German role in the demonetization of silver after 1873: “It is fair to admit that [the prospect of] seeing itself burdened with a sum of at least half a milliard of marks of German silver, counted for much in the decision the Latin Union took.”¹²⁹ Many policymakers in Britain had already come around to such bimetallic ideas about the German role in the fall of silver; British delegate George Goschen had made a similar point in 1878. Nevertheless, the British embrace of bimetallic arguments in 1881 also appeared to go further than ever before. Sir Louis Mallet, for example, returned to the root bimetallic case against the international gold standard, highlighting the insufficiency of a single precious metal:

When we consider the age in which we live, the immense movement, both industrial and intellectual, by which we are carried along, [the] new means of communication by land and sea, electricity, which converts the whole world into a single market, can we doubt that an international standard sufficient in quantity and stable in character, as the basis of all our transactions, and all the exchanges which multiply day by day under our eyes, is an imperious and capital necessity for the civilization and the welfare of all the people of the earth?¹³⁰

The extent to which the representatives of Britain and Germany had come to accept key bimetallic arguments was one measure of the success of international bimetallism in 1881.

¹²⁹ Ibid, 14.

¹³⁰ *Official Proceedings of the International Monetary Conference 1881*.

The success marked by the rhetorical admissions of the gold standard countries was matched by the eloquent and assertive defense of international bimetallism made by countries supporting the bimetallic system. In response to condemnations made by arch gold defenders such as Belgium and Norway, bimetallic advocates clarified for everyone present the sound economic principles which underpinned their proposals. In these efforts, William Evarts of the United States and N.G. Pierson of the Netherlands made the largest contribution. Evarts pushed back against *laissez-faire* assumptions that government policy could not set the ratio of values between silver and gold.¹³¹ In doing so, Evarts echoed the arguments made previously against the Belgian monometallist Eudore Pirmez by a prominent bimetallic opponent:

It is a fundamental error, says Mr. Pirmez, to suppose that a government can decree a value. Mr. Pirmez is right: no government can determine the price of things. But it can influence prices by creating demand or supply... If the United States, the Latin Union, and Germany should resume the coinage of silver, this metal would regain its former value because the demand for it would then become considerable.¹³²

While Evarts made the case regarding the positive impact an appropriate government monetary policy could have, Dutch delegate N.G. Pierson, president of the Bank of the Netherlands, provided empirical data that supported the conclusion that government policy could not only influence the value of silver but also could provide an equalizing mechanism between the values of silver and gold in the face of changing levels of production. Pierson, in particular, pointed to a chart that demonstrated the ability of the

¹³¹ Tupp, *Proceedings of the International Monetary Conference 1881*, 316-317.

¹³² Emile De Laveleye, "The Monetary Question," *Bankers' Magazine* 15 (January 1881): 523.

French bimetallic law of 1803 to maintain the ratio of values in the 70 years preceding demonetization (see Table 2.0, column 4).¹³³ In response to the charges by the Belgian gold monometallist that bimetallism was the cause of economic distress, Pierson countered, “Read [David] Ricardo; he endeavored to demonstrate in several of his works the very opposite of what has just been stated. If there is a matter on which the law has great influence, it is money.”¹³⁴

Table 2.0 – Stability of Gold to Silver under French Bimetallism*

Years.	Gold, Millions of Francs.	Silver, Millions of Francs.	Relative value.
1803—20	865	1091	1 : 15·58
1821—47	301	2778	1 : 15·80
1848—52	448	543	1 : 15·67
1853—56	1795	102	1 : 15·35
1857—66	3516	55	1 : 15·33
1867—73	878	587	1 : 15·62

* Reprinted from *Official Proceedings of the International Monetary Conference 1881*.

After the first month of deliberations, it was clear to participants that bimetallic arguments regarding the monetary sources of global economic difficulties and the soundness of international bimetallism as a remedy were prevailing at the conference. Britain and Germany, at least in rhetorical terms, had practically endorsed international

¹³³ Table 2.0 is reprinted from *Official Proceedings of the International Monetary Conference 1881* (Washington: GPO, 1881), 82.

¹³⁴ Ibid.

bimetallism, leaving defense of the gold standard to smaller, peripheral countries. Of this increasingly lonely position, Evarts wryly remarked that it was shared only by “those nations who, happily for themselves, were not largely involved in the vicissitudes [that] attend the vast transactions in which the great nations are involved.”¹³⁵

While these accomplishments marked the extent of the shift toward bimetallic arguments, the most tangible successes for international bimetallism in 1881 were the explicit policy concessions made by Great Britain and Germany. The most significant of these was the German proposal because it substantially altered the course of deliberations at Paris and sent a clear signal that at least one of the principle gold standard powers appeared willing to negotiate. In the proposal, Germany offered to eliminate uncertainty regarding its sales of silver and increase the use of silver in Germany as a subsidiary coin as part of an international agreement establishing bimetallism between the Latin Union countries and the United States. In an early session, Baron Thielmann outlined the proposal:

We acknowledge, without reserve, that the rehabilitation of silver is desirable, and that it could be attained by the re-establishment of the free coinage of silver in a certain number of the most populous states represented at this conference... Nevertheless, Germany, whose monetary reform is already so advanced, does not find itself able to concede the free coinage of silver... The German government is on the other hand disposed to help as far as possible the efforts of the other powers... To attain this end, the German government will maintain some restrictions on itself... For a period of some years it will agree to abstain from all sales of silver, and for another period to sell only a limited quantity yearly... Germany could make further concessions; she would give in her own [currency] circulation wider sphere to the metal silver (raising

¹³⁵ Ibid, 331.

amount of subsidiary silver in circulation from two marks to five).¹³⁶

The German proposals excited discussions across subsequent sessions with implications for several key nations at the conference. The delegates of the United States declined to accept or reject the offer and instead used the opportunity to press for more. Samuel Dana Horton, again a representative of the United States, pushed Britain, in particular, to contribute its own concessions toward the restoration of silver money. During the recess, Sir Alexander Galt of Canada suggested that the British dominion would convert to bimetallism if the United States did so as part of an international agreement.¹³⁷ It was clear from sentiments expressed that British delegates were in sympathy with many of the proposals discussed thus far, their official instructions, however, prevented them from taking any action that deviated from maintenance of the gold standard. By 19 May 1881, momentum was building toward some form of international agreement on silver. In that session, the US and Spanish representatives moved to adjourn the conference so that delegates could consult their respective governments regarding the German offer and the conference voted in favor. Chances for bimetallic success seemed more likely than ever.

The movement toward further concessions progressed during the six-week recess of the Monetary Conference, both in public debate and private diplomacy. In Britain, in particular, the public debate surrounding proposed concessions intensified, placing pressures on the Liberal Party government of Prime Minister William Gladstone. These

¹³⁶ Tupp, *Proceedings of the International Monetary Conference 1881*, 15.

¹³⁷ Galt to Cernuschi, 20 June 1881, *Official Proceedings of the International Monetary Conference 1881*, 433.

pressures came both from domestic commercial interests and American diplomats. The Gladstone government shared with its Tory predecessor the official consensus in defense of the gold standard, but there were signs of wavering. Gladstone, from the floor of the House of Commons, had already indicated openness to any suggestions made by the Monetary Conference.¹³⁸ News from Paris of progress of toward a bimetallic agreement, therefore, emboldened advocates and worried ardent defenders of the gold standard in British government and finance. One measure of the extent to which the debate was moving in favor of bimetallic advocates was the outrage among financially conservative London journals. The *Times*, for example, complained, “The heretical idea that government ought to take care to keep money abundant... has been repeated *ad nauseum* at the conference, with English delegates not only standing by, but with the most prominent of them, Sir Louis Mallet, in the name of India, rather encouraging the heresy.”¹³⁹

In the public debate that followed, a series of policy options were raised in the British press. The most significant of these proposed that the Bank of England purchase and hold silver as one quarter of its capital reserves. The argument, which appeared as early as February 1881, pointed out that the Bank of England, according to its charter outlined in the Bank Act of 1844, was legally able to hold this portion of reserves in silver. This meant that the Bank of England could immediately purchase up to £8 million

¹³⁸ Tupp, *Proceedings of the International Monetary Conference 1881*.

¹³⁹ “Affairs in Foreign Lands: The Silver Problem and the Monetary Conference,” *New York Times*, 29 June 1881.

in silver, according to one estimate.¹⁴⁰ The British central bank, acting alone, could take action to rehabilitate the price of silver and therefore the economy. A proposal of this kind represented an important inflection point in the transformation of central banking from a narrow regulator of capital markets to an instrument of national economic policymaking. To sympathetic contemporaries, however, it offered Britain a meaningful way to rehabilitate silver short of abandoning the gold standard. As the *Manchester Guardian* noted, “It appears, therefore, that without joining the ranks of the bimetallist countries, we can render them very substantial help.”¹⁴¹

As the public debate unfolded on British concessions, diplomats of the United States pressed the Gladstone government to adopt the same policy of central bank intervention. The effort to persuade Britain in this regard was led by the US Minister to Great Britain James Russell Lowell. Lowell had only recently arrived in London, but had already engaged in a series of productive interviews with British Foreign Secretary Lord Granville that secured British participation in the Monetary Conference. Lowell had been received warmly both by Granville and at Court thanks in part to his previously-established notoriety in Britain as author of the satiric *Biglow Papers*.¹⁴² While other US representatives, including Evarts, made informal efforts to ascertain the extent of British concessions during the recess, Lowell pushed for a more explicit bilateral bargain: British

¹⁴⁰ Figure quoted in “Finance and Trade Abroad: England and the Monetary Conference,” *New York Times*, 19 February 1881.

¹⁴¹ Ibid.

¹⁴² “No American minister has more favorably impressed the official personages with whom he has been brought into business relations, and none has been more welcome in general society.” These sentiments reported by the London correspondent of the *Washington Post*. “Our Minister at Court,” *Washington Post*, 7 March 1881.

silver purchases and a guarantee that India will remain open to silver in exchange for the restoration of bimetallism by the United States and the Latin Union.¹⁴³ A memorandum to the Treasury Office reported the details: “Mr. Lowell stated to the Foreign Office that there was prospect of an agreement between the silver-issuing countries, if India would continue her present system and the Bank of England would issue notes against silver.”¹⁴⁴ Lowell had made these entreaties not as an ardent bimetallic advocate but in casual reply to Lord Granville, who had asked for suggestions on possible British action.

Nevertheless, whether due to Lowell’s powers of persuasion or because of a sincere British interest in seeing some positive result, Granville took these suggestions under serious consideration, transferring the details to the Treasury Office and the Bank of England Court for review.¹⁴⁵

These efforts resulted in a prompt and affirmative reply from the Bank of England. On 30 June, the Bank’s director, Henry R. Grenfell, wrote a letter confirming his authority to issue notes against an expanded reserve of silver and willingness to do so. Grenfell, who had by then become a bimetallist himself, not only approved but also encouraged the Gladstone government to make these concessions explicitly. Addressing the Cabinet, he said, “The Bank Court see no reason why an assurance should not be conveyed to the Monetary Conference at Paris, if their Lordships think it desirable, that the Bank of England, agreeable with Act of 1844, will be always open to the purchase of

¹⁴³ Evarts to James G. Blaine, 12 May 1881, Despatches 1796-1906, Special Agents, Vol. 31, RG59, Microcopy No. 37. Roll 13, NARA.

¹⁴⁴ Foreign Office Memo to Treasury Office, 2 July 1881, TO, T1/13004, BNA.

¹⁴⁵ Lord Granville to Treasury Office, 28 June 1881, TO, T1/13004, BNA.

silver under the conditions described above.”¹⁴⁶ When news that the American proposal had received such a positive reception reached Lowell, he was forced to confess apologetically to Granville that his suggestion was not based on any explicit instructions from the government of the United States. Rather than refer the proposal to Washington, he instead directed Granville to William Evarts, leader of the US delegation in Paris.¹⁴⁷ There is no record of a subsequent correspondence between the British Foreign Minister and Evarts. The latter would have to await the resumption of the Monetary Conference to learn the full extent of British interest in some international agreement on silver. The Lowell-Granville exchange revealed both the extent of US monetary diplomacy during the recess and the apparent readiness of Britain to respond to those initiatives. By July 1881, the most tangible successes of the bimetallic cause, explicit policy concessions, first by Germany and then Great Britain, had come clearly into view through confidential diplomacy and public debate. These concessions, along with the new bimetallic rhetoric of the gold standard powers and the assertive defense of the international bimetallism, represented a high water mark for an international consensus on the use of silver currency.

Despite these victories, the International Monetary Conference of 1881 failed to secure an agreement on the rehabilitation of silver. As the delegates from fifteen nations reconvened at Paris, expectations remained high. Germany had offered a serious proposal to remove the German causes of the monetary crisis. In the early sessions of the

¹⁴⁶ Henry R. Grenfell, “What Is a Standard?” *The Nineteenth Century: A Monthly Review* 11, no. 63 (May 1882): 740–752.

¹⁴⁷ James Russell Lowell to Granville, 30 June 1881, TO, T1/13004, BNA.

reconvened conference, Britain added its own concessions. On 2 July 1881, the British delegates declared the willingness of the Gladstone government to keep India on an unlimited silver standard for a set period in exchange for the restoration of bimetallism in the United States and Latin Union countries.¹⁴⁸ The delegate from British Canada, Sir Alexander Galt, publicly added his proposal to convert Canada to bimetallism as part of the same agreement. The US representatives politely declined the offer, following instructions from Secretary of State James G. Blaine not to commit the United States to any agreement that placed the country at a monetary disadvantage.¹⁴⁹ Speaking of the British proposal, US Senator Allen G. Thurman of Ohio responded: “Would such an agreement as that proposed be acceptable to the United States? I am bound, speaking frankly, to say that I think it would not... [The United States] would [however] cheerfully become a party to a great bimetallic union which, if formed, would open its mints to the free coinage of silver.”¹⁵⁰ Worried that sentiments such as these might foreclose some form of agreement on silver, the British delegates added to the offer the proposal for the Bank of England silver purchases, first suggested to the Foreign Office by US Minister Lowell. In a subsequent session, Sir Charles Freemantle of Britain replied: “I have the honor of making the following communication on behalf of my

¹⁴⁸ Sir Louis Mallet first outlined this possibility in an earlier session, without official sanction from the Gladstone government: “We are authorized to respond to this desire to the following extent – that is to say, that during a certain definite period, the duration of which will be settled by further negotiation, the Indian government will engage to maintain its existing system of the free coinage of silver having full legal tender faculty throughout all the Indian possessions of Her Majesty... We can only bind ourselves in such a manner on condition that a certain number of the principle states of the world engage on their part to maintain within their territories during the same period the free coinage of silver.” See, *Official Proceedings of the International Monetary Conference 1881*, 260.

¹⁴⁹ Evarts to Blaine, 12 May 1881, Despatches 1796-1906, Special Agents, Vol. 31, RG59, Microcopy No. 37, Roll 13, NA.

¹⁵⁰ *Official Proceedings of the International Monetary Conference 1881*, 428.

government... The Bank declares its readiness to exercise the above mentioned option.”¹⁵¹ The British announcement produced a series of excited exchanges between bimetallic and gold advocates, but the conference nevertheless failed to reach an agreement. The United States again refused the proposals and when in subsequent sessions it became clear that no agreement could be reached that summer, the delegates at Paris voted to adjourn until the following spring.

The failure of the 1881 International Monetary Conference rested on a set of interlocking economic, political, and intellectual factors. Concerted action was prevented, as in 1878, by the ongoing uncertainty surrounding the price of silver. For policymakers, its depreciation made any suggestion of the unilateral restoration of unlimited silver coinage financially suicidal for any national government. As early as 1879, English financial expert George J. Goschen had concluded that this economic dilemma was at the root of inaction: “At present there was a vicious circle; states were afraid of employing silver on account of its depreciation, and the depreciation continued because states refused to employ it.”¹⁵² There were, however, economic factors that distinguished the failure of the 1881 proceedings from its predecessor. The most significant among these was the changed dispositions of economic power among the leading commercial nations. By 1881, the United States had experienced two successive years of economic growth and recovery, while most of Europe still languished. These changes from 1878 made the United States no less serious about establishing

¹⁵¹ Ibid, 476.

¹⁵² *The International Monetary Conference of 1878: Proceedings and Exhibits*, 52.

international bimetallism. It did, nevertheless, afford the ruling Republican Party much more freedom to dismiss any proposals short of an equitable multilateral form of international bimetallism. Secretary of State James G. Blaine provided insight into the US outlook, confiding, “This government is not seeking an adjustment to the silver question as a favor or concession to our interests... The gold currents of the world set strongly toward us... Since the Monetary Conference of 1878 we have drawn one hundred and sixty million in gold from Europe and have retained the vast products of our own gold mines.”¹⁵³

While these economic factors prevented action on the concessions offered by the gold standard powers, political factors, especially in Britain, played a role in preventing an agreement on international bimetallism. In Britain the gold standard operated as more than a monetary program; it remained a vital source of national pride in political debate that had accrued generations of ideological attachment during the decades of rising British affluence. It not only signified national wealth but also represented sober and efficient financial governance to the political and financial classes. Together, these sentiments underpinned the middle-class politics of the Liberal Party that dominated the mid-Victorian era in Britain.¹⁵⁴ By 1881, as the limited concessions of the Gladstone government indicated, these attachments proved remarkably durable in the face of lasting material discontent and intellectual ferment. By that time, the leading central bankers of Britain, Germany, and France—those most familiar with world monetary affairs—had

¹⁵³ Cipher Telegram Blaine to Evarts, 12 May 1881,” Instructions 1801-1906, France, Vol. 20, RG59, Microcopy No. 77, Roll 60, NA.

¹⁵⁴ J. P. Parry, *The Rise and Fall of Liberal Government in Victorian Britain* (New Haven: Yale University Press, 1993), 227-274.

come around to bimetallism even though European policymakers had not. During deliberations, Dutch bimetallist N.G. Pierson, pointed to the inconsistencies in the official British position: “If you really believe the double standard system can make the price of silver stable, why do you refuse us your cooperation? Do you realize what this means? It means [the further] fall of silver – your Indian money – and the rise of gold, your home money. It means the entire derangement of prices, monetary confusion, [and] commercial chaos. On you depends whether the evil assumes enormous proportions or is entirely removed.”¹⁵⁵ Though the some of the most prominent economic individuals and interests in Britain had declared for bimetallism and the British delegates themselves had adopted bimetallic arguments, the political reluctance toward a universal form of international bimetallism remained.

In addition to economic and political factors, the failure of the 1881 Conference rested significantly on the shortcomings of the theoretical framework shared by many policymakers on both sides of the Atlantic. As the public debate and official diplomacy surrounding the Paris Conference revealed, by 1881 an intellectual consensus had not yet developed regarding the relationship between the money supply and macro-economic outcomes; a consensus had not yet emerged regarding the use of monetary policy as an instrument of national and global economic governance. At this moment in the history of internationalism and global governance, the bimetallists who argued for coordinated international action clearly anticipated the monetary policy consensus that would subsequently develop during the mid-twentieth century. At the same time, defenders of

¹⁵⁵ Russell, *International Monetary Conferences*, 319.

the gold standard, often wedded to the philosophical models of the classical economists, insisted that government monetary intervention could only damage an economy that existed in nature. For all these reasons, the 1881 Conference adjourned without result.

Conclusion

Between 1878 and 1881, the idea of international bimetallism was transformed from a radical monetary proposal made by a peripheral power to the object of sustained, high-level diplomacy between the leading European powers and the United States. This outcome resulted from a far more sustained and sincere diplomatic effort on the part of the United States than accounted for in prior interpretations. In particular, American bimetallic advocates and diplomats played a crucial role in moving Europe toward bimetallic arguments both by extending and deepening the ongoing transnational debate on the monetary crisis, as well as by securing the participation of the leading gold standard powers through official diplomacy. In the public debate, the leading American bimetallicists made an increasingly persuasive impression in Europe regarding the links between the spread of the international gold standard and the ongoing difficulties in the global economy. By 1881, these were the views articulated by the delegates of both Britain and Germany. During deliberations that year, the concessions offered by both gold-standard powers also acknowledged the monetary sources of global economic depression put forward by these bimetallic advocates. Given these outcomes, the US campaign to place the monetary crisis at the center of great power diplomacy should not be viewed as a complete failure. Much had changed since 1878 and the direction of that

change can be attributed in part to these American efforts. As Evarts noted on his return to Washington, “A great advance [has] been made as compared with the results accomplished by the Conference of 1878... Concurrence of action has not yet been secured, but there is a general concurrence of opinion that there should be fixed ratio between silver and gold.”¹⁵⁶

Despite such progress, and the optimism it portended to Secretary Evarts for renewed negotiations in the spring, the failure to secure an international agreement on the rehabilitation of silver did not pass without consequences. In the short term, the failure of the 1881 Conference rattled money markets which, based on positive expectations of an agreement in Paris, had increased the price of silver by 6 percent, according to one estimate.¹⁵⁷ With the end of the conference the price of silver returned to its downward trajectory.

In broader terms, the failure also left in place many of the drivers of ongoing worldwide monetary instability, which increasingly fostered great power economic rivalry abroad and political unrest at home. Deflationary pressures, in particular, continued to impose the twin burdens of falling prices and rising interest rates on indebted producers in all parts of the global economy. As prominent bimetallist Emile de Laveley noted, “When silver was proscribed and gold became scarce, prices fell,

¹⁵⁶ “International Money: What Mr. Evarts Says About the Paris Conference,” *New York Times*, 5 September 1881.

¹⁵⁷ “Bimetallism or Nothing,” *New York Times*, July 7, 1881.

manufacturers and agriculturalists began to complain.”¹⁵⁸ The political difficulties posed by these unchanged monetary policies were not lost on the editors of *Blackwood's*:

Even if capitalists were the sole and unchecked legislators of the world, they could not devise any law so purely and exorbitantly for their own interests as [the] one for the demonetization of silver – for the destruction of one half of the world's currency and the consequent doubling of the value of their own capital. Such a course would produce a social revolution far beyond all the preaching of the French communists.¹⁵⁹

These conditions that produced debtor politics at home also had significant implications for the future of great power rivalry. In the broadest view, the failure of the 1881 Conference fostered an intensifying logic in favor of protectionism. It did so in two ways, first by inciting the kinds of calls for protective tariffs by burdened producers such as those outlined above. The logic of higher tariffs, however, was also linked directly to concerns within government for maintaining national gold reserves under the international gold standard. As one economist observed, “States have two means of preserving in the banks the necessary cash reserves: the raising of the rate of discount, or else custom duties to create a favorable balance.”¹⁶⁰ In this manner, tariff duties, by encouraging a favorable balance of trade, helped stabilize national finances, keeping more gold at home than exported abroad and allowing interest rates to remain low.

Under the conditions imposed by the spread of the international gold standard, the contest for gold between nations continued. In that struggle, decisive advantages accrued

¹⁵⁸ Emile De Laveleye, “Bimetallism and Free Trade,” *Fortnightly Review* 30, no. 175 (July 1881): 108–25.

¹⁵⁹ Robert Hogarth Patterson, “India and the Silver Question,” *Blackwood's Edinburgh Magazine* 126, no. 766 (August 1879): 219–34.

¹⁶⁰ De Laveleye, “Bimetallism and Free Trade.”

to those nations that could generate wealth and keep that wealth at home. These developments not only fostered a logic in favor of protectionism but also added to a logic in favor of imperialism. Because countries with the largest, most-protected home markets, which year-to-year produced net exports, seemed to excel under these conditions, nation-states faced with competition from larger rivals were forced to consider expanding a protected home market by means of territorial expansion and imperial trade preferences as a way to defend national gold reserves. Of these troubling trends toward global economic rivalry, Emile de Laveleye warned, “The irresistible consequence of a struggle for gold that we see in progress under our eyes is that all these states will feel a desire to take measures of defense and self-protection. A new continental blockade will be set up not by a tyrant but by the popular instinct of self-preservation.”¹⁶¹ After 1881, on both sides of the Atlantic, international monetary instability continued to shape debtor politics at home and economic nationalism abroad.

¹⁶¹ Ibid.

Chapter 3: Global Depression and the Challenge to the British Gold Standard, 1881-1891

The events of the last few years have strikingly shown that there is not enough gold to supply the nations which want it to form the basis of their circulating medium.

Bankers' Magazine, January 1882¹

At this moment of almost universal skepticism, when every one of our most cherished beliefs is being scattered to the wind, there is one thing, and only one thing, which most Englishmen concur in adoring, and that one thing is the English pound sterling.

H.R. Grenfell, Governor of the Bank of England
and Founder of the Bimetallic League, May 1882²

Introduction

By late 1881, Great Britain had become the central diplomatic playing field in the campaign to establish international bimetallism. The 1881 Monetary Conference demonstrated that there was much more theoretical consensus on the utility of international bimetallism among the great powers than previously understood. Nevertheless, the conference ended without concerted action. It did, however, establish political markers that led the debate back to Britain and British domestic politics.

¹ "The Present Aspect of the Silver Question," *Bankers' Magazine and Statistical Register* 36, no. 7 (January 1882): 492.

² Henry Riversdale Grenfell served as the Governor of the Bank of England between 1881 and 1883. Henry R. Grenfell, "What Is a Standard?" *The Nineteenth Century: A Monthly Review* 11 (May 1882): 740-752.

Foremost, the conference established that Germany, the other major gold standard power, would not agree to an international bimetallic standard without British adherence to such an agreement. The deliberations at Paris also made clear that the United States, the strongest advocate for international bimetallism, would also act only in concert with Great Britain. Therefore, as the conference adjourned in August 1881, the field of action shifted from the level of international politics to that of domestic politics in Britain.

Changing British opinion and official policy in support of the gold standard became the central objective of those interested in international monetary coordination on both sides of the Atlantic. Though official US efforts were sidelined for much of the ensuing decade, American advocates of international bimetallism, along with their allies in Europe, continued their campaign. Many published pamphlets, made speaking tours of Britain, and corresponded with like-minded Britons. These endeavors contributed to the growing popularity of international bimetallism in Britain.

In the decade after 1881, the idea of international bimetallism gained increasing legitimacy in British public discourse and increasingly organized support in British politics.³ At the beginning of this period, bimetallic ideas were supported only by a handful of prominent British financial and political figures. That year, Bank of England officers H.R. Grenfell and Henry Hucks Gibbs, for example, were practically alone in their support of international bimetallism. By 1891, however, sentiments and politics

³ In British political discourse the idea of international bimetallism was referred to simply as bimetallism because a change of British national monetary policy in favor of bimetallism would restore a *de facto* system of international bimetallism as other countries adapted their own national policies or to a formal international agreement. Here, I use the term international bimetallism in the discussion of British domestic politics to make it clear that British bimetallists were analogs to American and European international bimetallists and not analogs of advocates of free silver in American politics, for example.

about British monetary policy had shifted significantly. Her Majesty's government had appointed several commissions involving the matter, including the Royal Commission on the Depression of Trade, and the Royal Commission on Gold and Silver. In 1890, the collapse and government rescue of Baring Brothers and Company, England's oldest merchant bank, demonstrated the fragility of a financial system based on gold reserves alone. By 1891, the Conservative Party government had begun negotiations to join a new monetary conference urged again by the United States. During this decade, the idea of international bimetallism was slowly transformed from a proposal deprecated in official circles as the embodiment of socialism to one possessing scientific legitimacy and favored by an increasingly organized segment in British national politics.

What explains the surprising shifts in public sentiment and official action regarding bimetallism during this period? As the turbulent decade unfolded, the increasing appeal of bimetallic ideas rested on several factors. Foremost among these was the material distress imposed by the enduring economic depression. While nations like the United States had seemingly rebounded from the worldwide downturn after 1879, Britain continued to experience the effects of the depression. An annual index of British commodity prices showed, for example, that prices in 1883 had yet to return to levels reached thirteen years prior, in 1870.⁴ Indicators such as these intensified calls for government action and the number of dissenters, especially among agricultural producers, manufacturers, and merchants in the India trade.

⁴ These price indexes were calculated and published each year by *The Economist* as part of its *Commercial Annual*. The comparative figures covering the period 1866 to 1883 were published in George J. Goschen, "On the Probable Results of an Increase in the Purchasing Power of Gold," *Journal of the Institute of Bankers* (1882-83): 304.

While general economic conditions formed the foundation for distress and discontent, the distinct boost to international bimetallism between 1881 and 1886 was also a response to an added economic development: the enormous gold purchases made by European governments—and the resulting periodic increases in the rate of discount set by the Bank of England. The early 1880s were defined by a marked increase in demand for gold, especially by France, Germany, Italy, and the United States. The increased demand for gold during this period totaled £200 million sterling, according to some contemporary estimates.⁵ Under these global monetary conditions, the Bank of England in many cases found itself forced to raise the bank rate above market interest rates in order to retain sufficient gold reserves to operate the gold standard. This defense of the British monetary system, however, came at the expense of economic recovery at home, imposing higher borrowing costs during a period of diminished economic activity. This apparent war for gold among nations after 1881 provided the material pressure points that aided the ascent of bimetallic ideas into the realm of acceptable political discourse.

A second factor that aided the rise of bimetallic ideas in Britain was the broader challenge to the doctrines of English economics: free trade, *laissez-faire* government, and the gold standard. For the establishment defenders of English economic theory the unprecedented length of the depression posed a serious challenge. One by one, their predictions of a return to equilibrium through liquidation followed by economic recovery fell away as the depression endured. The commercial crisis profoundly unsettled

⁵ George J. Goschen, “On the Probable Results of an Increase in the Purchasing Power of Gold,” *Journal of the Institute of Bankers* (1882-83): 162

heretofore settled axioms in English economic thought. In public discourse, the campaigns against free trade and for imperial federation began in earnest during this period. Sir John Seeley's, *The Expansion of England*, which became a foundational text for the imperial federation movement, sold more than 80,000 copies in the first two years after its 1883 publication.⁶

In the academy, the reasoning found in the dictums of Smith, Ricardo, and Mill were increasingly challenged by innovations in economic study. The quantification of economics led by England's most distinguished contemporary economist, William Stanley Jevons contributed to this challenge. So too did the increasing availability of commercial statistical data that aided quantitative economists and the resurgent historical school of political economy. The historical school, centered in German economic thought but with English and American adherents, set itself in opposition to classical English economics, both in method and in conclusions. One ardent critic of established economic views in Britain declared that "many of the principles put forward by the deductive school of political economy, and accepted by the English public as evident truths, are in reality demonstrable errors."⁷ It was in this context of unsettled consensus that the theories and policy proposals of bimetallism entered public discourse in Britain. Fissures in the intellectual consensus behind English doctrines created channels through which international bimetallism gained political ground.

⁶ Richard D. Altick, "Nineteenth-Century English Best-Sellers: A Third List," *Studies in Bibliography* 39 (1986): 235-241.

⁷ Emile de Laveleye, "Commonplace Fallacies Concerning Money," *The Contemporary Review* 40 (November 1881): 788-806.

As we will see in the next chapter, the combined thrust of these material, intellectual, and political developments in Britain culminated in signals of new openness to monetary diplomacy by the British government after 1891. These signals in turn stimulated the efforts of the new American President, Benjamin Harrison, to again take up the question of international bimetallism with the European powers.

The War for Gold

Shifts in the diplomatic fortunes of international bimetallism had always been rooted in the cycles of boom and bust across the emerging global economy. But the decade following 1881 marked a watershed in global economic history in which the policies underpinned by the doctrines of English economics were repeatedly challenged, if not overturned. The agricultural depression which had been ongoing in Europe intensified with failed harvests between 1879 and 1881, leading to prolonged agitation for protectionism—high tariff barriers that protected farm prices and industrial wages against the volatility of global markets. As early as 1879, in the major economies tariffs once designed for modest revenue purposes were quickly transformed into protective trade barriers. By 1882, France and Austria-Hungary had already followed Germany in the race to increase import duties. In late 1882, the Cobden-Chevalier Treaty of 1860, which represented both the practical and symbolic epitome of free trade theory, was defeated in negotiations for its renewal. These trends continued across the ensuing decade with tariff wars between France and Italy, the threat of tariff wars between Germany and Austria, as well as the European embargoes of many individual American

products.⁸ Even in Britain, the standard-bearer nation for free trade, steady political agitation for protectionism and against free trade began during this period, especially after the Reform Act of 1884 significantly expanded the electorate. These developments were aspects of the increasing challenge to free trade. Protectionist programs were popular, partly because they provided easily understood solutions to distressed producers exposed to the emerging global economy, but they were also sources of potential danger for official policymakers. Absent reciprocal bilateral trade agreements, protectionist programs left countries to rely on the strengths of the domestic economy in order to provide sufficient inputs and sufficient consumers to operate rapidly industrializing economies. In other words, rising protectionism insulated domestic producers and workers but it also imposed limitations on future economic growth.

If resurgent protectionism challenged British preferences for free trade, a new wave of European imperial conquest challenged the doctrines of economic liberalism that underpinned the British world order more broadly. European imperialism, of course, was nothing new, but in the 1880s patterns of imperial conquest and control departed significantly from the past, replacing deference to local rule and non-discriminatory trade with increasingly militarized occupations of distant colonies organized for the economic benefit of the colonizing power. In 1882, Britain occupied Egypt, establishing military, political, and economic control over the restive Ottoman province. After 1883, France

⁸ For economic details, see Douglas A. Irwin, *Interpreting the Tariff-Growth Correlation of the Late Nineteenth Century*, NBER Working Paper Series no. 8739 (Cambridge: National Bureau of Economic Research, 2002). Also, in what could have been labeled “The Pork Question” in diplomatic circles, France, Germany and other European powers embargoed American meat products on thin accusations of contamination. For a brief discussion, see Henry Blumenthal, *France and the United States: Their Diplomatic Relations, 1789-1914* (Chapel Hill: University of North Carolina Press, 1970), 167-179.

completed its conquest of Indochina, establishing political control over Annam and Tonkin. In 1884, Germany established disputed imperial claims in West Africa and the following year made less disputed claims to parts of East Africa. The scramble for colonies developed at such a rapid pace that the European powers agreed to settle disputes cooperatively and to pursue colonization in a “civilized” manner at the 1885 Berlin Conference.

While the debate over the motives for this burst of new imperialism remains lively and unresolved among historians today, contemporaries of these events, in many cases, made clear connections between the ongoing depression of the global economy and the wave of colonization pursued by the major industrializing powers.⁹ They observed that rising protectionism, which forced countries to rely almost entirely upon their native resources, produced an economic logic in favor of territorial expansion. “There are curious parallelisms among European countries at this moment,” reported one literary journal of these connections. “While British troops are winning thankless triumphs in the Sudan, the forces of France have at long last taken Lang-Son. The German Reichstag has voted a new protective duty on grain; the French Chamber has the same proposal under debate.”¹⁰ Political control of distant colonies enlarged the diversity and scale of resources that any one imperial power could command. In response to the protective empires being erected by Europe and the United States, one English editor lamented that “there is only one remedy. Combination must be met with combination.

⁹ For a thorough overview of the historiography of new imperialism, see Robert O. Collins et al., eds., *Historical Problems of Imperial Africa*, Topics in World History (Princeton: M. Wiener Publishers, 1994).

¹⁰ “Review of the Month,” *Macmillan’s Magazine* 51, no. 305 (March 1885): 392–400.

This was once denied but now admitted in the struggles between workingmen and capitalists for the stock of wealth produced by their joint exertions. It is time to admit the same principle in the struggle between nations.”¹¹

Sentiments such as these not only inspired imperialists, they also inspired parallel campaigns for customs unions in regions where imperialism remained an impractical or impolite alternative. It was popularly understood by most statesmen that the *Zollverein*—the customs union that united the German princely states after 1833—had contributed to the growing economic power and eventual political unification of Imperial Germany. During the mid-1880s, as imperial projects proceeded, a wave of commercial unification campaigns began on both sides of the Atlantic. Germany, under Bismarck, took deliberate steps to bring Austria-Hungary into a comprehensive customs union, gaining the advantages of its agricultural production without resorting to conquest. In 1886, likewise, the United States renewed its efforts to establish a Pan-American Union that would integrate the Americas into a preferential customs union.¹² Though these efforts failed, they emerged from the same economic logic that favored new imperialism and, therefore, should be viewed as like responses to the vagaries of the emerging global economy.

The wave of new imperialism and rising protectionism among the leading commercial powers posed a general challenge to the doctrine of free trade that underpinned the British world order. In the years after 1881, this challenge intensified.

¹¹ A.W. Russell, “Low Prices and Hostile Tariffs,” *The National Review* 6, no. 33 (November 1885): 370–383.

¹² “Schemes for Extending Our Trade Relations Now Before Congress,” *New York Times*, 1 April 1886.

The drive for protectionism among commercial nations culminated with passage of the 1890 McKinley Tariff in the United States; it set *ad valorem* duties on all imported goods at an unprecedented 47 percent. The McKinley Act was followed soon after by the Méline Tariff in France, which completed the French rejection of English free trade doctrine. This trend toward economic nationalism was not just national in nature but also imperial. British colonial outposts, which had once operated as hubs of non-discriminatory global trade from the Indian Ocean to the Gulf of Mexico, were increasingly marginalized by protected colonies that served the interests of imperial nation-states.

The First World War is commonly referenced as the historical point at which the British world order fractured irrevocably. Part of that disintegration was the dethroning of the long-standing doctrines of English economics; out of the cauldron of war, economist John Maynard Keynes and other prominent theorists began to dislodge the monetary assumptions of classical English economics. Keynes, for example, in his 1923 work, *A Tract on Monetary Reform*, argued that price stability and the prevention of deflation should be central objectives of government economic policy.¹³ But this was a process that had started long before Keynes had reached these conclusions and far in advance of August 1914. The 1880s represented a watershed after which new imperialism and rising protectionism steadily undermined the doctrines of English economics and the vision of world order it upheld.

¹³John Maynard Keynes, *A Tract on Monetary Reform* (London: Macmillan, 1923), 140-162.

While the waves of imperial conquests in Africa and Asia—and the rising protectionist programs of the leading commercial powers—were the most visible responses to the depression of the world economy during the 1880s, the struggle to retain domestic gold reserves among the growing number of gold standard countries was perhaps the most detrimental to economic recovery in the short term. The relative level of visibility among these international developments are likely responsible for the disproportionate amount of analysis devoted to new imperialism and protectionism rather than to the international struggle for gold. Nevertheless, between the early 1880s and the mid-1890s, the scarcity of gold continued unabated, generating tremendous debate among bankers and financial officials, producing monetary policy changes designed to ameliorate the resulting problems, and eventually producing the diplomacy of the final International Monetary Conference of the era.

The increasing worldwide demand for gold also altered the patterns of global economic development just as new imperialism and protectionism did. Foremost among these changes was a distinctly new reordering of trade patterns in which the economic fortunes of countries using gold currency to settle international payments and those using silver increasingly diverged. While gold using countries struggled to maintain gold reserves and provide sufficient currency for their industrializing societies, many silver standard countries experienced an expansion of trade with other silver standard countries and the associated increases in domestic industry and development. The foremost example of this trend was the remarkable enlargement of exports from British India to Japan and China. Between 1877 and 1887, the total annual export of Indian cotton to the

East increased from 28,000 bales to nearly 245,000 bales—a nine-fold increase in volume. *The Times of India* breathlessly noted the resulting economic changes: “No country in the world can point to such remarkable figures as India can in her export trade in cotton. Bombay is the seat of new and prosperous industry.”¹⁴ These changes were not limited to South Asia. By 1888, trade between Japan and Mexico had increased to such a degree that negotiations had begun to establish a line of regular steamers connecting Yokohama to the Pacific ports of Mexico.¹⁵ To contemporary observers, the expansion of trade among silver using countries illustrated nascent changes in the development of the global economy.

Gold-using countries during the same period also experienced significant changes, though of a distinctly detrimental variety. In these regions the struggle for gold reserves among nations occupied the leading financial experts and government officials. This monetary competition took place amidst conditions of economic depression. Declining commercial activity did not coincide in perfect parallel across gold using countries. The United States, for example, experienced an export boom early in the decade only to return to depression conditions by 1884. The annual report of the US Secretary of the Treasury that year acknowledged that “the depression now severely felt will continue and may become more disastrous.”¹⁶ With this downturn, however, the United States rejoined Europe in a similar trajectory of steady deflationary pressures on prices.

¹⁴ *The Times of India*, 6 October 1888.

¹⁵ *Los Angeles Times*, 4 April 1888.

¹⁶ Hugh McCulloch, *Annual Report of the Secretary of the Treasury for the Year 1884* (Washington: GPO, 1884), xxxii-xxxiv.

While a spectrum of voices debated the causes of economic depression, the bankers and government officials whose work was closely tied to the operation of the gold standard focused their concerns on the increasing worldwide demand for gold. In leading financial journals, the alarm was raised over the loss of gold reserves in Europe. The competition for gold began in earnest at the end of 1880, when the Bank of France reported a 27 percent decline in gold reserves in the course of one year.¹⁷ In 1882, the editors of *L'Economiste Français* warned that increasing demand for gold reserves would continue if the long-term growth of the US economy continued:

The monetary crisis will be a chronic malady which lasts for years. There is a country growing more rapidly than any other; this country should naturally draw to itself a [greater and greater] part of the metallic money annually produced. If yearly production is insufficient, it should take a portion of specie from the Old World.¹⁸

By that year, concerns over decreasing gold reserves reached Britain. The gold reserves of the Bank of England had declined to £100 million while guaranteeing transactions totaling more than £700 million per year, a ratio of approximately 14 percent reserves to circulating bills.¹⁹ Under these conditions, the conservative *Saturday Review* reported that “fears have begun to be entertained among men of business that before long that the principal commercial nations will be involved in a struggle for gold.”²⁰ During the early part of the decade, the monetary operations of the United States and the countries of

¹⁷ “Bimetallism and the Bank of France,” *New York Times*, 13 November 1880.

¹⁸ Quoted in Paul Leroy-Beaulieu, “The Gold Question and the Bank of France,” *Bankers’ Magazine and Statistical Register* 36, no. 8 (February 1882): 576.

¹⁹ Figures quoted in M.G. Mulhall, “Prices and Gold Supply,” *The Contemporary Review* 48 (August 1885): 188–99.

²⁰ “The Threatened Struggle for Gold,” *Saturday Review of Politics, Literature, Science and Art* 51, no. 1319 (February 5, 1881): 176–176.

Europe had inaugurated an international competition for gold. The resulting problems were agreed upon, but the origins of and solutions to these problems remained contested.

The origins of the gold competition of the 1880s rested on both ongoing conditions and new economic developments. Problems under the gold standard had begun after 1873, when both Germany and the United States demonetized silver in favor of a monometallic gold standard.²¹ In response, most countries made significant adjustments to monetary policy, expanding silver and paper currency in domestic circulation and reducing reserve requirements for banks, in many cases. With fundamental monetary regimes left unaltered, these conditions persisted.

New economic developments of the early 1880s, however, intensified the problems posed by the declining supply and increasing demand for gold. Foremost among these developments was the bonanza in American agricultural exports that began in 1879. The new demand for American farm products was sufficient to pull the US economy out of depression, creating successive years of positive balances of international payments. The revenue collected from tariffs on those payments filled the US government treasury. What wonderful problems to have if you happened to be among the powerful committee chairs in the American Congress! While the swollen treasury created some embarrassments for politicians, especially those intent on maintaining high tariffs, it also created new patronage opportunities that the elected professionals of the political class were eager to pursue. A leading financial journal noted how these gold

²¹ In the United States, the Coinage Act of 1873 authorized the establishment of the gold standard, but gold specie payments did not resume until January 1879.

flows contributed to a broader national confidence, proudly reporting that “the gold countries of Europe [were] very sensitive about losing gold—and the increase in our exports.”²² In reality, American fortunes had more to do with the failure of European harvests than any US policy change (though financial conservatives often pointed to the resumption of specie payments in 1879).

While Americans basked in their brief success, other developments in Europe were contributing to new gold competition of the early 1880s. First, the monetary operations that preceded the resumption of specie payments by Italy in April 1883 placed new demands on the worldwide supply of gold, further raising concerns of gold scarcity and competition. Gold for the Italian currency, which totaled \$84 million, was purchased in the money markets of Europe. One financial journal dutifully reported how much gold had been taken from other nations: \$10 million from England, \$13 million from France, \$13 million from Germany, \$2 million from Australia, \$14.6 million from the United States, and so on.²³

Italy was congratulated by prominent European statesmen for its successful return to specie payments, yet this development further worried the bankers and government officials at the center of the international financial system. If developments in the United States and Italy had fostered the emerging gold competition, the monetary operations of France after 1882 escalated the competition into something more serious still. That year former French cabinet member Léon Say announced that gold reserves of the Bank of

²² “Gold, Imports and Exports,” *Bankers’ Magazine and Statistical Register* 37, no. 7 (January 1883): 510.

²³ These are rounded numbers quoted in “Italian Resumption,” *Bankers’ Magazine and Statistical Register* 37, no. 11 (May 1883): 826.

France had fallen to £24 million.²⁴ In response to dwindling gold reserves, the French Minister of Finance, J. Pierre Magnin, began a program of accumulating gold in the Bank of France through money market purchases and by removing more gold from domestic circulation.²⁵ These new monetary operations by France—along with those of Italy and the United States during the same period—created a distinct departure from the ongoing global monetary conditions that prevailed before 1881. These changes precipitated a recognizable competition for gold reserves among the leading commercial powers that lasted long into the following decade.

The result of the new monetary operations of the early 1880s, according to estimates, was an increase of £200 million in demand for gold.²⁶ To defend against outflows of gold, many central banks raised discount rates above prevailing market rates, further constraining economic recovery at times. In August 1881, the *New York Times* reported that “the banks of England, France, and Belgium have raised their rates of discount and the banks of Germany and Holland are expected to follow.”²⁷ The scale of new demand relative to the supply of gold worried observers on both sides of the Atlantic. Writing of the resulting changes in the global economy, one American financial expert declared in September 1881 that “a general monetary war is now waging between

²⁴ “M. Leon Say’s Predictions,” *Saturday Review of Politics, Literature, Science and Art* 53, no. 1390 (June 17, 1882): 764–65.

²⁵ Paul Leroy-Beaulieu, “The Flow of Gold into France,” *Bankers’ Magazine and Statistical Register* 37, no. 2 (August 1882): 90.

²⁶ George J. Goschen, “On the Probable Results of an Increase in the Purchasing Power of Gold,” *Journal of the Institute of Bankers* 4 (May 1883): 274–90. The figures introduced by Goschen were initially generated by Robert Giffen, President of the Board of Trade in Britain and an opponent of international bimetallism. Some opponents in the gold standard camp took issue with these estimates, though they were based on statistical data gathered by official offices.

²⁷ “The Struggle for Gold,” *New York Times*, 27 August 1881.

the continents and the nations that rally to the standard of gold or of silver.”²⁸ Even in Britain, where monetary opinion was articulated in more sober terms, one conservative journal acknowledged the negative effects of the international competition for gold:

“Almost every competent economist, including men like the late Mr. Stanley Jevons, has become convinced that the first cause of the [fall of prices] is the scarcity of gold.”²⁹

These conditions of gold competition remained in place until the gold discoveries of the mid-1890s came into monetary circulation in the global economy. In the meantime, nations operating under the gold standard or a *de facto* gold standard struggled to ameliorate the effects of gold competition at home: limited capital investment, price deflation, and the extended depression of production and commerce. “It is not merely trade depression, as the English [describe] it,” remarked one monetary expert of prevailing conditions. “It is industrial depression, agricultural depression; it is stagnation of enterprise and discouragement of investment, affecting the entire range of production and exchange.”³⁰ Sentiments like these, repeated amongst those closest to the workings of global finance and government monetary operations, suggest the scale of the macroeconomic problems imposed by gold competition; they also hint at the geopolitical implications. Like policies of new imperialism and rising protectionism, operations in defense of national gold reserves contributed to a nationalizing of the global economy in which the economic strength and the relative power of the state were further

²⁸ Samuel Dana Horton, “Article 3,” *North American Review*, September 1885.

²⁹ “Mr. Goschen on the Price of Gold,” *The Spectator* 56, no. 2852 (February 24, 1883).

³⁰ Horton, “Article 3.”

intertwined—and the competition among these countries was increasingly practiced as a zero-sum game.

The War of the Words

A very interesting movement of ideas is going on among economists of all countries, tending to revise the fundamental principles of the science.

Émile de Laveleye, December 1881³¹

“There is no subject within the whole range of political economy so entangled as money.

Bonamy Price, January 1882³²

In rhetoric and policy, the great powers were moving away from the doctrines of English economics. These dramatic changes to the global economy, in turn, flowed back into domestic politics and public discourse within Britain, the world’s most globalized national economy and the prime defender of liberal economic doctrine. The economic depression did not conform to widely-accepted views of natural business cycles in which economic distress was followed by a liquidation of assets, the establishment of a new equilibrium, and the return of economic growth. As one prominent economist remarked, “The characteristics of the present crisis are wholly different from [typical] commercial

³¹ Emile de Laveleye, “New Tendencies of Political Economy in England,” trans. George A. Walker, *Bankers’ Magazine and Statistical Register* 36, no. 6 (December 1881): 422.

³² Bonamy Price, “How Money Does Its Work: An Answer to M. de Laveleye,” *Contemporary Review* 41 (January 1, 1882).

and industrial crises whose special features were their acuteness and their short duration.”³³ Responses to the lasting downturn took many forms. The depression conditions in agriculture inaugurated agitations against free trade and in favor of a system of imperial commercial preferences between Britain and her colonies. While protectionism and imperial preference challenged British free trade policy, proposals for bimetallism challenged the theoretical underpinnings and the operation of the British gold standard.

Though the public debate over the gold standard might be dismissed as just another war of words, this rhetorical war had consequences. Between 1881 and 1886, the constellation of ideas that questioned the gold standard and proposed an international bimetallic standard became increasingly accepted in British public discourse. The advance of these ideas was marked by the conversion of prominent financial conservatives and the appointment of two important official commissions after 1886. The reports of these commissions made important concessions to bimetallic arguments made during the war of words about the causes of economic depression, making international bimetallism an increasingly plausible alternative to the gold standard.³⁴

³³ Emile De Laveleye, “The Economic Crisis and Its Causes,” *Contemporary Review* 49 (May 1886): 621–37.

³⁴ See, for example, testimony of a British consular official: “The condition of trade and industry in general, and of British trade in particular, can be fairly described as depressed... There was a tendency toward recovery in the year 1877 and the two following years, when [the depression] increased again, and it has reached its lowest point at present... The fall in prices, I believe, is attributable not only to over-production... but [also] to a rise in the value of gold in consequence of diminished supplies.” *Report of the Royal Commission Appointed to Inquire into the Depression of Trade and Industry* Vol. 2 (London: H. M. Stationery Office, 1887), 192.

Among leading policymakers in Britain, however, the findings of these reports did little to produce official action. For many of these key figures, a new openness toward changes to the British gold standard did not come until 1890, following the near collapse of the commercial bank, Baring Brothers and Company. The Baring crisis demonstrated that, as a central bank under the gold standard, the Bank of England alone could not maintain reserves sufficient to act as a lender of last resort given the volume of financial sector operations being contracted by City bankers.³⁵ In other words, the scale of trade and investment in the global economy had become so large that the gold standard institutionalized in the Bank of England could no longer provide specie reserves necessary to stabilize the system during financial emergencies. In the aftermath of the Barings crisis, the war of words waged by advocates of international bimetallism took on new urgency among financial conservatives. British government officials subsequently expressed openness to international monetary coordination and engaged in discussions that ultimately led to the 1892 International Monetary Conference at Brussels. In these ways, the war of words waged forcefully within the realm of British public discourse between 1881 and 1886 had important real-world consequences.

Long before diplomats gathered at Brussels, the rhetorical war against the British gold standard was waged in a series of important battles in the leading journals and financial newspapers of Britain. Beginning in 1881, advocates of international bimetallism were developing three crucial new lines of argument against the gold

³⁵ For a succinct explanation of the growing understanding of the vulnerabilities of this system under the gold standard, see Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 1998), 35-36.

standard. In the prior decade, they had argued principally on the relative merits of the gold and bimetallic standard of value. Monetary experts such as Ernest Seyd, Henri Cernuschi, and Francis A. Walker had made the case, for example, that an international bimetallic monetary system provided an equalizing mechanism that stabilized exchange rates between countries operating different monetary regimes.

After 1881, however, bimetallic arguments evolved to contend with questions raised by the unusual persistence of the economic depression. Advocates put forward three new ideas: first, they connected the economic depression to deflationary pressures that followed from gold scarcity under the gold standard; second, they argued that a positive balance of payments year-to-year determined the availability of credit and, therefore, the economic growth of a country; finally, bimetallic advocates made the case that the perpetuation of deflationary pressures under the gold standard threatened the most treasured pillar of British economic doctrine: free trade. Taken together, these lines of arguments further linked the gold standard to the economic depression and outlined the negative consequences for the British commercial supremacy.

In late 1881, while many British officials welcomed the failure of international negotiations at Paris, a number of prominent editors, economists, and politicians at home advanced these new arguments against the gold standard. This group did not represent the fringes of British politics. On the contrary, they included, among others, one of the leading figures of the Liberal Party, George J. Goschen; English writer Moreton Frewen; and University of Liege economist, Émile de Laveleye.

The writer, Moreton Frewen, was something of an aristocratic gadfly. Son of a Leicestershire landowner and husband to a wealthy American wife from a prominent New York banking family, Frewen was in many ways a typical representative of the British leisure class. And yet, at the same time, he occupied a unique position in the gold standard debate with personal experience among financial circles on both sides of the Atlantic.³⁶ In the British press, he most often appeared as an interpreter of American economic and political developments.

While Frewen reported from his unique transatlantic vantage point, economist Émile de Laveleye was an important theorist in the unfolding debate in Britain. By the 1880s, Laveleye had made his reputation as a public intellectual across Europe, publishing on questions of economics, foreign affairs, and politics. He was an academic by training and served as the chair of political economy at the University of Liege after 1863. In his scholarly work he was credited with a number of theoretical innovations, later acknowledged in Joseph A. Schumpeter's *History of Economic Analysis*.³⁷ The most important of these was an insight demonstrating that the expansion of credit was a function of the expansion of the money supply. As his biographer noted, "As early as 1860, Laveleye explained that the first effect of a substantial increase in the supply of gold is to reduce the discount rate; only later when the volume of credit is expanded... does a price rise occur. Keynes, discovering this argument in a monograph by Alfred

³⁶ For biographical detail on Moreton Frewen, see L. Milton Woods, *Moreton Frewen's Western Adventures* (Boulder, CO: University of Wyoming, 1986).

³⁷ Joseph A. Schumpeter, *History of Economic Analysis* (London: Routledge, 1987), 820.

Marshall dated 1877, claimed it for his teacher, hailing it as the most important contribution to monetary theory published in England since the time of Ricardo.”³⁸

Despite these accomplishments, Laveleye, as a public man of liberal inclinations, always appeared more interested in influencing policy and opinion than in receiving credit for scholarly innovations. An admitted Anglophile, Laveleye travelled often to Britain to speak publically on bimetallism and other economic questions. He had been a member of the Cobden Club, the leading free trade association in British politics, since 1869. His interest in contemporary policymaking also explains his prolific written contributions to the economic debates of the era. In 1881, his pamphlet, *International Bimetallism and the Battle of the Standard*, was published in London and provided many of the theoretical arguments later taken up by British advocates of international bimetallism. Throughout the 1880s he continued to publish frequently in Britain’s leading journals on the problems associated with the gold standard.

The most significant figure in the debate challenging the gold standard, ironically, was not an advocate of international bimetallism in any sense. George J. Goschen, by 1883, was a stalwart Liberal Party MP who had occupied key cabinet posts relating to finance and foreign affairs. He had also served successfully as special envoy on important missions for the government, including to Egypt in 1876 to secure the interests of British bondholders in the Egyptian debt crisis and to Constantinople in 1880, where

³⁸ Paul Lambert, “Emile de Laveleye,” in *History of Political Economy*, vol. 2 (Duke University Press, 1969), 263–283.

he settled Ottoman frontier disputes that threatened the region.³⁹ Though these accomplishments demonstrated his loyalty to the Liberal Party under Gladstone, Goschen always retained an aristocratic sensibility that defined the vestigial Whig elements of the party and left him at odds with an increasingly reformist Gladstone. As the new decade unfolded, he moved steadily into opposition while the ruling party fractured on questions of expanding the franchise and Irish home rule. After 1886, he sided with Liberal Unionists who joined with the Conservative Party to defeat the Gladstone government.

Though Goschen was not an aristocrat by birth, he was the scion of a wealthy banking family. Goschen was educated at Rugby and Oxford. He, therefore, had adopted the worldview, chauvinisms, and social distinctions of the aristocracy long before he entered Parliament as a representative of the City of London in 1863. In this sense, his political defection can be seen as one in which the Liberal Party left him—becoming more liberal—rather than one in which he left the party. What remained unchanged throughout was his outlook as a financial conservative with professional experience in the City of London. Goschen’s important contribution to the debate over the gold standard rested more on this respected position within British political and financial circles than on the particulars of his argument.

Goschen launched the most significant rhetorical battle over the gold standard with his May 1883 speech to the Institute of Bankers gathered at Mansion House—residence of the Lord Mayor of the City of London. Speaking at the gathering the

³⁹ For further biographical details on Goschen, see Thomas J. Spinner, *George Joachim Goschen: The Transformation of a Victorian Liberal*, Conference on British Studies Biographical Series (Cambridge: Cambridge University Press, 1973).

presiding chairmen remarked, “Never since the Institute has been in existence, and that we have met in this hall, have we had any address which opens up so important a subject.”⁴⁰ In his address, Goschen carried forward the first new argument, connecting the economic depression to deflationary pressures that followed from gold scarcity under the gold standard. Deflationary pressures on prices resulted from the limited supply of—and therefore the increased value of gold. “[The] fall in commodity prices is practically synonymous with the increased purchasing power of gold,” he said.⁴¹ The cause of the increased purchasing power of gold, he argued, was the demand for gold to supply the gold standard currencies of the United States, Germany, and Italy. “What result, if any, [will] such a phenomenon produce? There is scarcely an economist but would answer at once [that] such a phenomenon must be followed by a fall in prices of commodities generally.”⁴² Goschen went on to carefully defend his case, deftly admitting that his argument did not exclude additional sources of deflationary pressure. “Supposing these to be actual causes, you have to deal with the fact that prices have fallen, and if that is so, that is only another way of saying that the purchasing power of gold has increased.”⁴³ In closing, the experienced politician was careful not to endorse any remedies, least of all international bimetallism. Nevertheless, his central argument was one made by many active advocates of bimetallism prior to 1883. His speech, in fact, appreciatively cited prominent international bimetallists by name, including Émile de Laveleye. It was not

⁴⁰ Goschen, “On the Probable Results of an Increase in the Purchasing Power of Gold,” *Journal of the Institute of Bankers* (May 1883): 290.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

the argument that was novel at Mansion House that day, but the voice making the argument—that of an esteemed statesman and respected financial conservative.

The Goschen speech left the leading journals and newspapers deeply unsettled on the monetary question. Like the sharp seesaw of a passenger ship battered by storms, the speech discomfited and disoriented many. The editors of the *Saturday Review* were seeming victims of this effect. Having praised Goschen as the leading authority on currency in the weeks before the speech, they argued soon after that he had failed to prove the connection between gold scarcity and price deflation.⁴⁴

The controversy that followed the Goschen speech lasted years and spanned oceans, placing the question of international bimetallism closer to the center of British national politics than ever before. Opponents made three distinct counter-arguments in response: first, they argued that deflation was not caused by gold scarcity but by speculation-induced overproduction; second, they contended that global integration of commodity markets inevitably drove commodity prices downward; finally, they claimed, perhaps defensively, that deflation was good for the workingman; finally, the most extreme opponents argued that deflation was not occurring.

Even before the weekly journals had admonished Goschen, opponents in the hall at Mansion House that day began to articulate the first counter-argument. “There is no ground for alarm from any appreciation of gold,” said one London banker. “Gold, as a metal of circulation, is less required [today]; cheques have come into use a good deal

⁴⁴ “The Purchasing Power of Gold,” *Saturday Review of Politics, Literature, Science and Art* 55, no. 1435 (April 28, 1883): 532–33.

more.”⁴⁵ In the weeks that followed, several journals added to this line of argument and tried to further diminish the linkage between the increased value of gold and price deflation. *The Saturday Review* contended that deflation resulted only from speculation-induced overproduction. “Mr. Goschen has failed to prove [his point]. Inflation is the result of speculation... When the world is blessed with successive good harvests there is general prosperity; with prosperity people are inclined to take a hopeful view. They speculate and run up prices.” Deflation, the editors went on to contend, was the natural result of these speculative bubbles. As late as 1885, opponents were still trying to extinguish the idea that monetary contraction influenced economic conditions. “We may assure nervous persons that there is no danger of gold famine—and there is no connection between gold supplies and [commodity] prices,” said one stalwart defender of the gold standard.⁴⁶ Conceptions like these represented the broadly-accepted view of the business cycle in classical English economics.

While some opponents to Goschen held fast to doctrinaire explanations, others countered his case by pointing to new economic conditions. The second counter-argument asserted that the globalization of commodity markets was driving producers into greater competition and therefore placing downward pressures on prices. At Mansion House that day, they argued rightly that advances in railroads, steamships, and telegraphs were lowering costs and equalizing commodity prices globally. *The Saturday Review* later made a complementary argument that “there has been a great extension of

⁴⁵ Goschen, “On the Probable Results of an Increase in the Purchasing Power of Gold,” 295.

⁴⁶ Mulhall, “Prices and Gold Supply.”

cultivation outside Europe, [for which] Mr. Goschen did not allow.” This second counter-argument remains the most persuasive. The increasingly global nature of commodity markets and the equalization of prices were especially evident to those bankers financing trade operations. Economic historians today have since confirmed these observations, showing the emergence of truly global commodity markets in the mid- to late-nineteenth century.⁴⁷

The third counter-argument to Goschen acknowledged the presence of deflationary pressures, but argued that these were good for the workingman. As one opponent claimed, “Lower prices may cause a passing loss to the tradesman or manufacturer... [but] the welfare of mankind is associated with low prices.”⁴⁸ In other words, the appreciation of gold has produced increased purchasing power for wage-earners. Supporters of Goschen suggested a different view: “Cheapness is a relative expression. In the present instance nothing is cheapened because all prices, including wages, are lower.”⁴⁹ These contentions sparked a long debate on whether wages were falling or remained constant, but neither side could mount conclusive evidence. What was less disputable was that during the economic depression there was less work, whether or not the wages for that work remained the same.

In early 1883, Goschen, with his speech, made a deep impression in the public debate over the British gold standard. His reputation as a leading financial expert and

⁴⁷ For a general discussion of current findings of the emergence of global commodity markets, see Ronald Findlay, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, The Princeton Economic History of the Western World (Princeton: Princeton University Press, 2007), 395-428.

⁴⁸ Mulhall, “Prices and Gold Supply.”

⁴⁹ Moreton Frewen, “Gold Scarcity and the Depression of Trade,” *The Nineteenth Century: A Monthly Review* 18, no. 104 (October 1885): 593–613.

party leader explain the long shockwave of reactions that rippled outward from Mansion House that year. Goschen, the financial conservative, had made the case for the negative effects of the increasing value of gold under the gold standard. Perhaps what explains the voluble reaction among banking elites and their political allies was the idea of disturbing social consequences implied by Goschen. If left unchecked, current global monetary conditions will increasingly divide creditors from the producers and manufacturers, creating new political dangers. “The fall in prices will affect various classes in society... Happy it is for those who have sovereigns; unhappy for those who have commodities not sold,” he said.⁵⁰

While financial elites grappled with this question—preserving their interests versus fostering social and political unrest, the Goschen speech and the debate that followed increasingly moved the idea of international bimetallism to the center of political debate on both side of the Atlantic. One measure of its significance was the worry it inspired among financial conservatives in the United States. In June that year, the *New York Times*, warned, “The Honorable George J. Goschen, eminent English banker, economist, and statesman, has given occasion for active discussion in economic circles of... the appreciation of the value of gold... The discussion has more than a purely scientific interest because Mr. Goschen’s high authority is now claimed by [advocates of bimetallism in this country].”⁵¹

⁵⁰ Goschen, “On the Probable Results of an Increase in the Purchasing Power of Gold,” 284.

⁵¹ *New York Times*, 18 June 1883.

Though Goschen had done more to move the question of international bimetallism to the center of British politics, economist Emile de Laveleye was most responsible for advancing the important theoretical insights which figures like Goschen popularized. As early as 1877, Laveleye outlined his concerns about economic instability under the gold standard. After 1881, following the publication of *International Bimetallism*, Laveleye engaged in a series of rhetorical battles that emphasized the second new argument against the gold standard: under current monetary conditions created by the gold standard maintaining a positive annual balance of international payments was crucial to the health of any national economy.

His line of argument countered all prevailing liberal economic doctrine. Since David Ricardo's theory of comparative advantage helped overturn the tenets of mercantilism early in the century, orthodox English economists had deprecated the importance of a positive balance of payments—and the retention of specie reserves—as an object of national economic policy. Instead they contended that, left alone, trade across national boundaries fostered a mutually beneficial international division of labor regardless of balance of payments concerns. As Laveleye observed, English economists “make gentle fun of the balance of trade and speak of it as an exploded fallacy.”⁵² In the mind of the Belgian economist, however, current international monetary conditions showed instead that Ricardo's theory was the exploded fallacy.

In this context, the Belgian economist argued that maintaining a positive balance of payments was crucial to the availability of credit, which, in turn, partly determined the

⁵² De Laveleye, “Commonplace Fallacies Concerning Money.”

level of commercial activity of the nation-state. “In the world of actual affairs, all business [is] based on certain prices and on the availability of a certain amount of cash. If this amount of cash increased or diminishes the basis of all business transactions become necessarily modified.”⁵³ The charged phrase to the ears of contemporaries was likely “...in the world of actual affairs.” It was no doubt a gentle jab at gold defenders as out-of-touch adherents to classical English economics. Laveleye drew this distinction throughout his work, associating his own arguments with the growing body of statistical data gathered from commercial activity in recent decades. The Belgian economist put himself rhetorically on the side of economic science and his opponents, fairly or unfairly, on the side of economics as natural philosophy.

Laveleye’s argument urging the necessity of a positive balance of payments reflected the broader challenges posed to liberal economic doctrines during this period by both the increasing quantification of economics and by the revival of the historical school of economics, which favored historical examples as a guide to economic policymaking rather than the deductive models of liberal economics. Laveleye inclined toward the historical school. As early as the mid-1870s, he addressed the Cobden Club’s annual dinner in, bravely defending the historical school of economics to an audience of liberal economic adherents, according to one observer.⁵⁴ However, what was more important about his advocacy of international bimetallism during the 1880s was that it came from the viewpoint of financial conservatism associated with commercial interests and not

⁵³ Ibid.

⁵⁴ George A. Walker, “Bimetallic Money,” *Bankers’ Magazine and Statistical Register* 11, no. 8 (February 1877): 609.

from the viewpoint of economic populism associated with democratic interests. In other words, to his thinking, the gold scarcity of the past decade was bad for business. As one of Laveleye's fellow advocates explained concisely: "The most immediate effect of any reduction of the money supply is to cut into the profits of the employing class... The effect next experienced is the enhancement of all debts and fixed charges, acting as a steady drag upon production."⁵⁵ The Belgian theorist provided examples in support of his argument for the importance of the balance of payments. Speaking for Europe, he said:

We are absolutely forced to take certain products from America—corn, meat, petroleum, and cotton... As industry becomes developed in the United States, they have less need of our products [and] we are obliged to pay the difference entirely in gold. Hence, these exports of cash greatly disturb the money markets... The real balance of trade, when all facts are taken into account, is a very important point. It is that which determines the fluctuations in rate of exchange... When a country loses some of its monetary stock, it does not regain it without suffering some damage.⁵⁶

Laveleye repeatedly returned to this argument against monetary contraction under the gold standard. But this was also an argument in favor of international bimetallism; an expansion of monetary reserves by the remonetization of silver would reverse these conditions, expanding credit and production. As a prominent public figure, the Belgian economist provided many of the theoretical foundations for the increased acceptance for bimetallism in Britain generally, and advanced this second argument against the gold standard, in particular.

⁵⁵ Francis A. Walker, "Shall Silver Be Demonetized?" *North American Review* 140 (January 1, 1885).

⁵⁶ De Laveleye, "Commonplace Fallacies Concerning Money."

As Laveleye advanced his bimetallic arguments, orthodox English economists led by Oxford Professor Bonamy Price worked to limit the influence of the Belgian economist. While most counter-arguments challenged Laveleye on substance, some did not, focusing instead on his reputation. Writing in the *Contemporary Review*, for example, Price dismissively introduced Laveleye as “the eminent Belgian writer on agriculture and other subjects.” He did so before taking 19 pages to refute Laveleye’s theoretical arguments.⁵⁷

Surprisingly, Price and Laveleye shared many points of agreement. They held in common the idea that the relative supply of money had a direct influence on prices, for example. Professor Price admitted that “a heavy increase in the supply of the material of money sends down its value; its purchasing power is less; prices rise.”⁵⁸ Laveleye similarly rested his arguments on the quantity theory of money. Where Price departed from his opponent was in the linkage between relative levels of specie reserves and levels of commercial activity. The Oxford professor simply denied the connection, instead pointing to an increased circulation of cheques that offset any changes in the availability of gold reserves, according to Price. “Will the cheaper loans granted [because of lower interest rates] be counted out in Leadenhall Street in [gold] sovereigns? Why should they? Borrowers will buy and pay with cheques,” he argued.⁵⁹ Price neglected to mention that these notes regardless of their increased usage were ultimately denominated in English sterling which under the gold standard represented a guarantee for payment in

⁵⁷ Price, “How Money Does Its Work.”

⁵⁸ Ibid, 251.

⁵⁹ Ibid, 256.

gold. In other words, the circulation of more cheques, which made the entire financial system more leveraged than ever, should be viewed as a positive good.

Taken together, the counter-arguments raised by Professor Price demonstrated the difficulties that defenders of the gold standard faced in disputes with informed advocates of international bimetallism. To deny Laveleye's contention about the linkage between gold reserves and the availability of credit was to deny one of the central principles on which the gold standard, not to mention the entire international financial system, was based. Price spoke of the balance of payments argument as an exploded fallacy. "Nevertheless," Laveleye noted, "*The Economist* and other special newspapers follow it with the greatest care and attention."

In the debate over the importance of the balance of payments, the chief division between orthodox economists like Price and revisionists such as Laveleye could be reduced to differing attitudes toward inflation and deflation. Whereas Laveleye and other advocates of international bimetallism worried more about the negative effects of deflation and saw the positive effects of modest inflation. Bonomy Price, and other defenders of the gold standard, most often disputed the monetary causes of deflation and emphasized the dangers of inflation. With inflation, Price argued, the purchasing power of money declined, prices rose, "and the quality of money [was] very much injured, if not ruined."⁶⁰ Laveleye took the opposite view, arguing that modest inflation was needed under current conditions and that a negative balance of payments transmitted deflationary pressures into the British economy through the mechanism of the Bank of England

⁶⁰ Ibid, 251.

discount rate. While defenders of the gold standard could deny that the ongoing economic depression resulted from deflationary pressures under the gold standard, as Goschen had argued, they found it harder to contend with the balance of payments line of argument because the respected institutions of the financial press essentially held the same position as the advocates of international bimetallism.

If the first two lines of arguments introduced by bimetallic advocates in the 1880s attempted to explain the monetary origins of the depression, the third argument invoked the harmful consequences of inaction. Bimetallic advocates went on the offensive. The third argument against the gold standard invoked the dangers to society in general and to the cherished principle of free trade, in particular. Speaking of the deflationary pressures imposed by the gold standard, the aristocratic bimetallist Moreton Frewen appealed to the class identity he shared with his opponents, arguing that “prices will fall farther still, wages will decrease, strikes will extend... Such is the connection between currency contraction and the increase of socialism.”⁶¹ While Frewen had raised the specter of social unrest and radical agitation, bimetallic advocates such as Laveleye connected these changes directly to the endangerment of free trade:

The struggle for gold [under the gold standard] is the death-stroke to free trade. It is the general [economic] distress that induces public opinion to incline so favorably toward protective measures. England, by maintaining the single standard, wholly extinguishes that noble ideal [of free trade] from which a general harmony of interests and the fraternity of nations should spring.⁶²

⁶¹ Frewen, “Gold Scarcity and the Depression of Trade.”

⁶² De Laveleye, “The Economic Crisis and Its Causes.”

By 1886, arguments like these were not so easily dismissed. Declining levels of economic output meant the closure of factories, the failure of firms to pay outstanding debts, and the reduced employment of workers. “It is useless to describe the miserable state of trade in Europe. The daily papers are filled with details on this subject,” said Laveleye.⁶³ His argument about the dangers to free trade was clarifying enough to move some reliable opponents. In response, the editors of one prominent London journal admitted, “If we say we are greatly impressed by M. de Laveleye’s article, it does not mean that we have become bimetallists... [But], if these inferences can be established, they are of surpassing importance.”⁶⁴

In developing this new line of argument both Frewen and Laveleye made appeals that evoked sentimental responses among their elite opponents. They appealed to both their class identity and to their British pride in the liberal vision of free trade. Perhaps this partly explains their relative success in the war of words over the gold standard. In May 1886, the same London journal argued that bringing an end to the depression was the most important task before the statesmen of Europe. “According to M. Laveleye, the adoption of international bimetallism would [produce] this result. Other eminent economists hold the opposite position—but it is safe to say that they do not hold it quite so confidently as they did.”⁶⁵

By 1886, it was clear that the prevailing doctrines of English economics were under threat. The great powers were advancing protectionism and imperialism abroad,

⁶³ Ibid.

⁶⁴ “The Economic Crisis,” *The Spectator* 59, no. 3019 (May 8, 1886).

⁶⁵ Ibid.

moving international politics away from free trade and the liberal world order envisioned by Adam Smith and Richard Cobden. At home too, Britain faced increased agitation for protective tariffs, labor regulation, and socialist programs.

The war of words over the gold standard represented just one part of this larger challenge to the status quo. However, the compelling fact to note here is that the appeals for monetary change made by advocates of international bimetallism were made from a position of financial conservatism shared by defenders of the gold standard. Frewen, the aristocratic gadfly, rested his argument partly on the link between economic conditions and the specter of socialism. Laveleye, the academic theorist, contended that current conditions hurt businesses first. Goschen, though not a bimetallic advocate, highlighted the link between monetary contraction and deflation—a condition which made it increasingly difficult for debtors to repay his fellow creditors. The common thread among these arguments was the case they made for international bimetallism in terms of financial conservatism. Despite accusations of monetary radicalism made by opponents, advocates of international bimetallism in the war of words—and in the longer struggle to establish an international monetary agreement—had always represented commercial interests and had always been of a conservative cast of mind on matters of finance.

The public controversy over the gold standard raised by the depression and pressed by advocates of international bimetallism was a battle won by those in favor of change. Though they did not overturn the British gold standard in law, they moved the question of monetary policy to center of British politics, making it the object of two government commissions beginning in 1886.

American Advocates of International Bimetallism in the British Debate

As has been demonstrated, the burden of advancing bimetallic ideas in Britain fell upon prominent British and European advocates of international bimetallism. American advocates, however, played an important supporting role that illuminates the growing transnational network of policy experts working across national boundaries in support of policy change. In the period between 1881 and 1891, they supported the work of the main contestants by publishing in London, translating French language pamphlets, and travelling overseas to address interests groups associated with international bimetallism. In these efforts English bimetallist Moreton Frewen acknowledged the contributions of Samuel Dana Horton, in particular.⁶⁶

American advocates of international bimetallism, during the same period, also fought an important rear-guard action in the United designed to maintain pressure on the British government to move toward bimetallism. Though official US action had been mostly sidelined throughout the 1880s, American advocates, in unofficial capacities, pursued monetary policy change in Britain through this emerging transnational network.

The first aspect of American efforts in the British debate was to support the work of the main advocates of international bimetallism there. American George A. Walker, then serving as US Consul at Paris, had been an interpreter of European financial affairs long before his assignment to Paris in 1881. In the war of words over the gold standard in Britain, Walker helped launch the debate by translating a series of Laveleye's

⁶⁶ Frewen, "Gold Scarcity and the Depression of Trade."

published articles in a single English language edition, *Bimetallic Money*. Walker described the volume as “a clear and vigorous presentation of the argument in favor of international bimetallism, it ranks with the productions of M. Henri Cernuschi on the subject.”⁶⁷ Walker helped spread the ideas of international bimetallism in print; from Paris, as American Consul, he was also the key figure who kept official Washington informed of the shifting politics of international monetary coordination. In late 1885, he wrote Secretary of State Thomas F. Bayard to report that “the Parliament of Great Britain is a very conservative body, strongly prejudiced in favor of the gold standard... Nothing will so much hasten the adoption [of bimetallism] in Europe as the suspension of silver coinage in the United States... Mr. Goschen [is] in support of this opinion.”⁶⁸ These communication not only demonstrate the ongoing interest in an international monetary agreement by the United States, but the ways in which key American international bimetallists sought to influence opinion and policy at home and abroad.

If George A. Walker served behind-the-scenes in advancing international bimetallism during this period, fellow American Samuel Dana Horton played to the crowd. An able and experienced political speaker on the campaign trail, Horton was also deeply versed in economic theory and monetary issues in particular. Like his fellow American advocates of international bimetallism, he was a financial conservative, except when it came to the gold standard. In 1887, in his role as monetary theorist he published, *The Silver Pound and England’s Monetary History since the Restoration*. The book

⁶⁷ Walker made these comments in the translator’s preface to Emile de Laveleye, *Bimetallic Money*, trans. George A. Walker (New York: Banker’s Magazine and Statistical Register, 1877).

⁶⁸ Quoted in *New York Times*, 8 January 1886.

demonstrated to English readers that their country had a long and fruitful economic history under the silver standard prior to the establishment of the gold standard after 1816.⁶⁹ The history ended with the current debate over the gold standard, calling for the adoption of bimetallism in Britain based on historical precedent. In particular, Horton argued that, in the war of words during the 1880s, defenders of the gold standard had continually retreated in light of bimetallic predictions upheld by ongoing economic conditions. When gold stalwarts in Britain finally conceded that deflation was operative, they made new claims that it was only a transitory economic condition. To this claim, Horton replied: “Transitory, unquestionably! But so is cholera transitory; so are battle, murder, and sudden death!”⁷⁰ These remarks highlighted Horton’s wit and rhetorical acumen, but they represented only a small portion to his methodical excavation of English monetary history. In the book, he demonstrated the importance of silver to monetary operations and, in historical terms, reminded his English readers of the novelty of the single gold standard.

The following year Horton took his show on the road, travelling to Britain to speak to audiences on the question of the gold monometallism versus bimetallism. In Britain, his volume had been well-received. One prominent member of the peerage, the

⁶⁹ Following the fiat currency regime of the Napoleonic Wars, the Re-Coinage Act of 1816 established the new gold sovereign and new subsidiary silver coinage and began a program of coining the new currency over the next four years in Britain. The Resumption of Cash Payments Act of 1819 set the return of specie payments for 1821, completing the process of placing Britain on the gold standard. For reference see Henry Adams, “British Finance in 1816,” in Charles Francis Adams Jr. and Henry Adams, *Chapters on Erie and Other Essays* (New York: Henry Holt and Company, 1886), 268. For a more recent study of the origins of the British gold standard, see the relevant portions of Angela Redish, *Bimetallism: An Economic and Historical Analysis* (Cambridge: Cambridge University Press, 2000), 137-164.

⁷⁰ Samuel Dana Horton, *The Silver Pound and England’s Monetary History since the Restoration* (London: MacMillan and Company: 1887), 212.

Duke of Marlborough, praised the book as “an intricate history on the standard of value in Europe... by an eminent authority on the subject.”⁷¹ Horton took his message beyond London, to regions where the economic depression was more keenly felt. In January, for example, he met with the Manchester Chamber of Commerce to discuss the question.⁷² “We ask that silver should be restored to its former place; that the nineteenth century should treat the two metals in as interchangeable a manner as the eighteenth century did,” he said to his English audience.⁷³ Through efforts like these, American advocates of international bimetallism furthered the campaign against the British gold standard.

In the decade after 1881, American advocates of international bimetallism also fought an important rear-guard action in domestic politics. In the wake of the failed 1881 monetary conference, leading bimetallic advocates—and many more financial conservatives—agreed that the most important action that could be taken by the United States was the repeal of the provisions in the Bland-Allison Act, which mandated monthly government silver purchases. US Secretary of the Treasury Charles J. Folger said publicly that “the most potent means of bringing about any concerted action among nations [on international bimetallism] would be for the US to suspend the present coinage of silver.”⁷⁴

The logic of ending US silver purchases in order to establish international bimetallism at first glance appeared counterintuitive. However, for those who

⁷¹ George Spencer-Churchill, Duke of Marlborough, “International Legal Tender,” *The Forum* Vol. IV, no. No. 5 (January 1888): 497.

⁷² *Manchester Guardian* quoted in *The Times of India*, 5 January 1888.

⁷³ *Ibid.*

⁷⁴ Quoted in Henry B. Russell, *International Monetary Conferences* (New York: Harper & Brothers, 1898), 325.

appreciated prevailing global monetary conditions under the gold standard, this proposed action was a logical and necessary next step. Despite the difficulties imposed on the Bank of England—and on the British economy, in general—the British government had failed to concede the necessity of altering of the gold standard. For advocates of international bimetallism in the United States, repeal of the Bland Act became paramount because repeal would further increase US demand for gold, thus, intensifying the monetary difficulties faced by Britain. Their aim was to move Britain away from its intransigence on an international monetary agreement. On his return from the 1881 monetary conference at Paris, former Secretary of State William Evarts noted the high ground the United States occupied in international negotiations that allowed it to pursue this strategy: “Our position and resources are such that we can afford to be indifferent, but England cannot, as the drain of gold on her leading bank demonstrates.”⁷⁵ In his December message that year, President Chester A. Arthur called for repeal, endorsing the recommendations of Secretary Folger who had earlier advocated repeal in pursuit of international bimetallism. In the financial press, where advocates of international bimetallism had won over prominent journals in the preceding years, the connections were made more clearly: “The recent recommendations of the President, in respect to stopping the coinage of silver, have been very generally approved throughout the country because such a change of policy will forward the use of both metals.”⁷⁶

⁷⁵ “International Money: What Mr. Evarts Says About the Paris Conference,” *New York Times*, 5 September 1881.

⁷⁶ “The Present Aspect of the Silver Question,” *Bankers’ Magazine* (January 1882).

American advocates of international bimetallism pursued this campaign for monetary policy change at home throughout the 1880s. If the persuasion campaign were limited to party leaders in Washington and leading bankers in New York, the monetary history of the late nineteenth century may have been quite different. Among these elite circles, no persuasion was necessary. Even with the transfer of presidential power to the Democratic Party under President Grover Cleveland, there was no change in opinion on this issue. International bimetallists or not, American financial conservatives agreed on repeal. Financial conservatives had a brush with success, when, in March 1885, the House of Representatives narrowly defeated a measure to repeal the silver purchase provisions of the Bland Act. The great obstacle to their success, of course, was the growing movement for the unilateral restoration of silver money—free silver—being organized at the grassroots in American politics. After the minor successes of the Greenback Party during the 1870s, monetary questions had receded into the regular channels of party politics until the economic downturn of the mid-1880s again revived the issue. The campaign for free silver in national politics during this period took on particular intensity because of the ways in which the idea of free silver moved quickly beyond agrarian interests. Because the economic downturn in the United States was associated with the retreat of capital to the banking houses of the Northeast, the cause of free silver tended to draw in manufacturers, transportation firms, merchants and other commercial interests from all other regions. It did not rely simply upon the what financial conservatives considered agrarian radicals in the West and South. In national politics, this broad spectrum of interests cut across prevailing party coalitions and

threatened to break them apart. Prominent Republicans and Democrats alike, especially from the Midwest, increasingly flowed into the free silver camp. Both major parties while occupying the presidency used the powers of patronage to deter or placate leading free silver politicians.⁷⁷ They did so with limited success as the collapse of the Republican Party in 1892 and the split of the Democratic Party in 1896 later proved.

In the great national debate over the money question that intensified after 1884, American advocates of international bimetallism made sustained efforts to peel away silver sympathizers in the industrial sectors of the economy from the more radical agrarian advocates of free silver. In these efforts, no representative of the cause was more energetic than Samuel Dana Horton. In addition to publishing prolifically on the topic, he travelled to annual association meetings of various business groups pushing repeal of the silver purchases in the cause of establishing international bimetallism. As early as May 1885, Horton successfully split many in the South from the free silver camp. The National Commercial Convention held at Atlanta that year, for example, passed a resolution calling for the suspension of silver purchases and coinage. Speaking of the resolution, one newspaper reported that “it was carried by a majority of Southern votes... The proposal [was] introduced and advocated last night by Mr. S. Dana Horton of Ohio.”

Despite notable triumphs, Horton and other advocates of international bimetallism enjoyed only limited success. Like the firebox of a steam locomotive filled with burning

⁷⁷ The ultimate expression of this strategy was the enactment of the Sherman Silver Purchase Act of 1890 under Republican President Benjamin Harrison. However, President Cleveland pursued this strategy equally during his first administration. See, for a general overview, Russell, *International Monetary Conferences*, 345.

coal, the idea of free silver was poised to burn long and hot in American politics, carrying the money question to the center of national discourse and slowing repeal of the Bland Act. And yet, at the same time, Horton and others did help prevent free silver from becoming official US policy—an outcome that would have doomed international bimetallism and certainly disrupted the nation's most important commercial relationship: Great Britain. Nevertheless, American advocates of international bimetallism carried out their rear-guard action long enough for the idea of international bimetallism to flower in Britain and place increasing pressure on Britain to change monetary policy.

Conclusion

The years between 1881 and 1891 represented a turbulent decade in world politics and in the development of the global economy. In no country were these changes more keenly felt than in Great Britain, the nation most integrated with—and dependent on the emerging networks of international trade and investment inside and outside the formal British Empire. New imperialism, rising protectionism, and the struggle for gold reserves among the leading commercial powers during the 1880s together represented a distinct watershed in world affairs. Across the commercial world the doctrines of liberal English economics—free trade, *laissez-faire* government, and the gold standard—were increasingly challenged both in theory and in practice.

These changes naturally flowed back into British domestic politics and national discourse. The challenge to the gold standard posed by the struggle for gold reserves created particular dilemmas for Her Majesty's government. It made the operations of the

British gold standard increasingly difficult and made the defense of its theoretical merits harder and harder to maintain. In the war of words that ensued, the proposals for international bimetallism moved inside the normative bounds of accepted political discourse, becoming objects of debate at the center of national politics. As has been suggested, these advances resulted from many of the material and macroeconomic changes that shaped British politics during this period. But the increasing acceptance and advocacy for international bimetallism also rested on the efforts of the advocates of international bimetallism on both sides of the Atlantic. American advocates, in particular, made extraordinary and unofficial efforts to place pressure on the gold standard policy of Britain.

While American advocates of international bimetallism and their English counterparts could not claim outright success in changing official British monetary policy, they could claim a small victory in the changed state of affairs in the British debate over the gold standard. By 1891, this small victory, in part, created the opportunity for official action. The Conservative Party government, which had always included the larger number of bimetallic adherents, was responding to official US inquiries regarding a new monetary conference that involved international monetary coordination among the leading commercial powers. The significance of the efforts of international bimetallists, however, does not rest on this small victory, but rather on the extent to which these efforts reveal an increasingly coordinated and intellectually unified network of officials and policy experts that were working in a transnational effort to effect changes to the British gold standard.

Chapter 4: Failing to Save the World: The United States, Britain, and Silver, 1889-1893

*The present offers a rare conjunction of favoring causes. The monetary distress in South America... and a disquieting attitude of Russia coincide with delicate political situations in Berlin, Vienna, and London.*¹ – Samuel Dana Horton, 1891

*From a general feeling in the atmosphere it seems to me that there is a desire to do something for America.*² – Alfred Rothschild, 1892

Introduction

On 22 November 1892, the leading commercial nations gathered at Brussels for the opening of the International Monetary Conference. The object of the conference was to find common ground for the increased use of silver currency. Twenty nations attended, including the major economies of Europe—France, Germany, Austria-Hungary, and Russia. The Americas were represented by Mexico and the United States. Most crucially, Great Britain was in attendance. Britain's position as the leading gold standard power and as the financial core of the nineteenth-century global economy made British participation a prerequisite for the success of any international monetary agreement. One conference delegate, with little exaggeration, noted that the fate of the global economy

¹ Samuel Dana Horton to James G. Blaine, 18 May 1891, RG 59, Miscellaneous Letters of the Department of State, 15 May to 27 June 1891 (microfilm copy), reel 114, NARA.

² Alfred Rothschild to NMR & Sons, 22 November 1892, series 000, box 442, folder 8, Business Records of N.M. Rothschild & Sons (hereafter, Business Records), Rothschild Archive (hereafter, RA).

was, in fact, “in the hands of England.”³ Supporters of an international agreement on silver thus saw the involvement of Britain and the continental powers as reason for optimism as the conference convened.

The participation of the leading commercial nations at the Brussels Conference was a measure of how much the diplomatic playing field regarding international monetary relations had changed since the Paris Conference of 1881. Beginning in the late 1880s, in particular, questions about the viability of the international gold standard and proposals for an alternative international bimetallic standard again moved to the center of world politics. For the better part of the 1880s, official action on the question of monetary coordination among nations had been limited—first by the falling price of silver and, second, by entrenched sentiments favoring the gold standard among leading institutions of the global economy. As delegates gathered at Brussels, however, some alteration to the status quo seemed likely in light of recently changed conditions.

The foremost reason for the renewed interest was the worldwide scarcity of gold reserves created by new increases in demand. Rising demand for gold since the 1870s had produced two sharp periods in which gold appreciated in value. In the second period, beginning in 1887, a series of important monetary developments significantly intensified demand, pushing many countries toward an international monetary agreement. The first cause of the new gold scarcity was the increase in gold purchases made by European governments. These purchases followed the collapse of the alliance between Russia,

³ Alphonse Allard to Conference, 2 Dec 1892, quoted in *International Monetary Conference at Brussels: Report of the Commissioners on Behalf of the United States* (Washington: GPO, 1893).

Austria-Hungary, and Germany, which had held in check the geopolitical tensions over Eastern Europe since 1878. After the collapse of this alliance in 1887, however, governments across Europe began purchasing gold. By the time of the Brussels Conference, Austria-Hungary had established the gold standard, purchasing new gold reserves in world capital markets. Russia, similarly, had purchased more than \$400 million in gold between 1887 and 1892, according to contemporary estimates.⁴ Many observers saw these monetary changes as preparations for war. As one London journal noted in late 1887, “Peace in Eastern Europe hangs by a very frail thread.”⁵

The second reason for renewed efforts was a growing awareness among leading politicians and financiers of the increasingly leveraged nature of the international financial system, especially in Britain and the United States. Most of the gold acquired by European governments during this period was purchased from the Bank of England and the United States Treasury. Speaking of the increased demand for gold in Europe, the director of Rothschild Frères in Paris complained that “gold, until now, [has been] taken out of circulation and therefore cannot be employed as a medium in international markets. The Bank of England has been the only place where gold can be contracted.”⁶ Though Mr. Rothschild left the US Treasury out of his analysis, new gold demand created problems for both Britain and the United States. It sharply decreased the amount of specie reserves held against the amount of paper notes in circulation; creating

⁴ France had also increased its gold holdings by more almost 50 percent between 1890 and 1893. “Bimetallism in Europe and India,” *Bankers’ Magazine and Statistical Register* 47, no. 11 (May 1893): 849.

⁵ “England and Europe,” *Littell’s Living Age* 173, no. 2238 (May 1887): 387.

⁶ Alphonse de Rothschild to NMR & Sons, 27 October 1892, T File extracts, box 21, folder 1, Business Records, RA.

conditions in which a financial panic might foster a run on bank deposits that required more reserves than central banks or government treasuries might use to halt such a panic.

It did not take long to reveal the dangers posed to major financial institutions under conditions of intensified gold scarcity. In late 1890, one the world's largest investment houses, Baring Brothers of London, was caught in a liquidity crisis after the price collapse of Argentine securities. The obligations of Baring Brothers were so extensive that the Bank of England alone could not supply enough gold to save the private investment bank. Instead, the Bank of England desperately cobbled together a syndicate of lenders, including the Bank of France and N.M. Rothschild and Company, among others, to supply the needed reserves to save Baring Brothers and forestall the spread of a financial panic.

Difficulty for the Bank of England functioning in its role as lender of last resort was only one problem created by the increased demand for gold. In the United States, the European demand for gold produced a continuous outflow of gold from the US Treasury beginning clearly in 1888. Gold exports from the United States not only threatened the continued operation of the *de facto* gold standard there, it also contributed to a negative balance of payments that returned the United States to debtor nation status by the early 1890s. The 1889 Annual Report of the US Treasury gave voice to the sentiments these changes produced elicited on Wall Street: "The heavy movement of gold from the United States... has created a profound stir in the American commercial world... Europe was compelled to have it. The movement, therefore, [has been]

artificially stimulated by banks in Europe paying a premium for gold.”⁷ In the United States and Britain, these monetary movements resulted in a contraction of circulating currency and expanded the political campaign for alternatives to the gold standard *pure et simple*, changing minds at the highest levels of government.

The change in outlook was particularly recognizable in Britain, where ongoing depressed economic conditions and the unofficial efforts of American and European advocates had slowly moved the idea of bimetallism within the realm of acceptable political discourse. The debate intensified in Britain partly because so much of the British economy was tied to overseas trade and investment inside and outside the British Empire. During these years, many leading public figures declared in favor of bimetallism; many more called for the rehabilitation of silver currency short of establishing a bimetallic standard. The most important common denominator among these figures was their reputation as financial conservatives in British public life—Lord Randolph Churchill, Arthur J. Balfour, Alfred Rothschild, and George J. Goschen, among others. Certainly, they could not be easily dismissed as agrarian agitators or socialist trade union leaders. As one American advocate of international bimetallism observed, in Britain “it could no longer be considered bad form to be a bimetallist... The unanimous admission, on the part of the [Gold and Silver] Commission, as to the practical efficiency of the [bimetallic] system from 1803 to 1873 largely removed those sentiments of suspicion and distrust.”⁸ These changes in British public opinion had implications

⁷ *Annual Report of the Secretary of the Treasury, 1889* (Washington: GPO, 1889), 122.

⁸ Francis Amasa Walker, *International Bimetallism* (New York: Holt, 1896), 214.

beyond Britain and represented a key element to the revival of monetary diplomacy among the leading commercial nations.

Shifting economic conditions and political fortunes in the United States also played a key role in the revival of official efforts to establish an international monetary agreement. Renewed diplomatic action in the late 1880s represented a distinct change in policy by the United States. For the better part of the decade following the Conference of 1881, the United States had limited official efforts to bring Europe to the monetary negotiating table. By 1890, however, increasing agitation for free silver and the drain of US gold reserves at home as well as signs of new openness to international bimetallism abroad moved American policymakers toward new action.

The return of the presidency to Republican Party control beginning in 1889 marked the shift. Since 1878, American proposals for international bimetallism had always originated among financial conservatives of the Republican Party. Republican rule under President Benjamin Harrison offered new opportunities for executive action and also new lines of attack for Democrats no longer bound to support a president of their own party. The push and pull of both factors led Republicans to again take up international bimetallism.

Harrison's predecessor, President Grover Cleveland, had made perfunctory efforts at pursuing international bimetallism, sending special envoys to Europe in the spring of 1885 and again in the spring of 1887. But Cleveland's efforts met with little success. This was partly because his chosen agents had little interest and even less faith in the idea of international bimetallism. Edward Atkinson, Cleveland's last monetary envoy,

expressed his skepticism of the entire diplomatic effort in an interview with the *New York Times*. “[There is] some idea on the part of the President that it is his duty to advance the measure,” he said.⁹ Cleveland and Democratic Party leaders had always been more interested in tariff reduction than in the possibility of altering the international gold standard as a remedy for economic problems at home. Furthermore, his agents abroad met with European counterparts that were similarly inclined on economic questions like free trade and the gold standard. Thus, these exchanges had few demonstrable results.¹⁰ When the Republican Benjamin Harrison ascended to the presidency in 1889, the necessary conditions for diplomatic success—control over the institutions of official US policymaking at home and new signs favoring international action abroad seemed to be coalescing.

Renewed US efforts to rehabilitate silver currency in coordination with other nations culminated with the Brussels Conference in November 1892. As the first chill of winter set in, the delegations from twenty countries gathered in the *Palais des Academies*, a neo-classical office building recently constructed to house the burgeoning government bureaucracy there. The immense size and studied symmetry of the edifice displayed a confidence in progress and reason that remained touchstones of nineteenth-century European thought. The new building and the diplomatic conference, in this sense, were parallel reflections of the liberal ideal—an outlook that emphasized the harmony of

⁹ *New York Times*, 22 December 1887.

¹⁰ For details on Cleveland administration efforts, see correspondence of Manton Marble and Edward Atkinson in Grover Cleveland Papers, Library of Congress Manuscript Division (hereafter, LOC). See also, Edward Atkinson, *Report of Edward Atkinson to the President of the United States* (Washington: GPO, 1887).

interests both among nations and among economic classes. Deliberation and reasoned consensus among the financial experts gathered at Brussels, to the liberal imagination, would produce a positive, scientifically-informed result to guide international action.

In reality, however, the Brussels Conference convened at a moment when such sentiments were increasingly contested—not only by radicals and revolutionaries, but by prominent figures in European and American public life. The Belgian prime minister, in his opening remarks, alluded to these ambiguities. “The conference in which you are called upon to take part has, for its object, the consideration of one of the most serious, complex, and arduous problems which is presented to modern society. Money touches all economic and social interests; it affects the commerce of the world.”¹¹ By late 1892, every country represented at the Brussels Conference had extensive experience with the booms and busts that accompanied the globalization of trade and investment in the second half of the nineteenth century. Each country had varying outlooks on the extent to which these revolutionary economic changes had been a positive good. As a geopolitical framework, the midcentury liberal vision for world order had facilitated global economic changes that created a logic favoring the scramble for territorial empires by Britain and its major European rivals. In some sense, the Brussels Conference represented one of the last attempts to rescue that midcentury liberal world order defined by great power cooperation and open commercial intercourse. Ironically it was the advocates for alteration of the international gold standard that fought hardest to maintain this liberal vision of world order.

¹¹ *International Monetary Conference*, 33.

Background to US Diplomacy

From the earliest days of his administration, President Benjamin Harrison was keenly interested in reviving efforts to establish international bimetallism. Though his public statements remained guarded on the subject, he had been contemplating a new international monetary conference as early as December 1888, three months before taking office.

In these formative days of the Harrison administration, Republican Senator William Windom of Minnesota, who was already in line to become Secretary of the Treasury, was the greatest influence on the policy of the new Republican administration. Windom was a financial conservative who pleased Eastern banking interests but, as a representative of the Midwest, he also had shown publically his sympathy for the rehabilitation of silver currency. He later testified to Congress, skillfully threading the needle of public opinion on the subject: “The ultimate free and unlimited coinage of silver is certainly desirable and ought to be attainable. But with the present attitude of the other great commercial nations toward silver, it would be neither safe nor politic for our government to make the experiment.”¹² His carefully qualified support for silver and his Midwestern bona fides made Windom an ideal nominee for Treasury, given the desire among party leaders to unite a Republican coalition that had shown signs of fracture over the silver question. It was from this position that Windom began to shape administration efforts to renew monetary diplomacy with Europe.

¹² “Windom Silver Bill,” *The Independent*, 3 April 1890.

In February 1889, Windom began his campaign, requesting a confidential report on the outlook for international bimetallism in Europe. He called on Samuel Dana Horton, one of the leading American publicists for international bimetallism and a veteran of past official US diplomatic efforts. Horton was instructed to produce a report that would offer guidance to the new administration and in March Horton returned a confidential memorandum on the prospects of an international agreement to rehabilitate silver.¹³

The Horton memorandum outlined the factors that contributed to the failures of prior US diplomatic efforts to establish international bimetallism and proposed a strategy for future endeavors. Three issues, according to Horton, were responsible for past failures. Principally, the ongoing strength of free silver advocates in American politics. To observers in Europe, the near constant attempts by the US House of Representatives to establish the free coinage of silver in place of the more moderate silver purchases of the Bland-Allison Act of 1878 signaled that US proposals for international bimetallism were made from a position of weakness. Horton claimed that most European officials involved in monetary affairs, assumed that the silver agitation in the United States would end eventually in the unilateral restoration of silver currency there.¹⁴ Horton also contended that US efforts had been impeded by the lack of institutional support for previous efforts to secure an international monetary agreement. The State Department

¹³ Original memo entitled, "Confidential Memorandum on Silver" was reprinted by Horton as Samuel Dana Horton, *A Suvery of the Diplomatic Aspects of the Silver Question* (New York: Private Printing, 1891).

¹⁴ Horton, 16-17.

and Treasury, at different times, had shown little interest in the subject.¹⁵ Finally, Horton argued that the breakdown of prior monetary conferences rested on the ill-informed economic assumptions then prevailing among European officials and financiers. “The defective principles that the men of England and Germany had trusted for generations were mistaken,” he reported to Windom.¹⁶ The lack of understanding of the function of money, it appeared to Horton, posed the biggest potential impediment to US efforts to renew monetary negotiations with Europe. These were the stumbling blocks that impeded the success of previous diplomatic efforts and increased suspicions of new American efforts in Europe, according to Horton.

Given these obstacles, Horton outlined a strategy for future US monetary diplomacy that followed from his assessment of prior missteps. He understood that getting the cooperation of more than one European government would turn on the relative difficulty of monetary operations each government faced. He therefore recommended consistent contact with these leading economic powers through personal diplomacy. He contended that this would signal a renewed US commitment to international bimetallism, which had waned under President Cleveland, and would allow the United States to address the individual concerns of each country that may arise before any formal conference was convened.¹⁷ Horton also recommended that the new Republican administration wait for positive signals from Europe regarding an international monetary agreement before initiating any official diplomatic action for international bimetallism.

¹⁵ Ibid, 26.

¹⁶ Ibid, 33.

¹⁷ Ibid, 10.

He reported to Windom that many European officials saw past American proposals as self-serving. Finally—and perhaps most interestingly, Horton suggested that the battlefield of public discourse on the question of international bimetallism needed to be prepared with a government-supported information campaign in order to change European opinion over time. He proposed financing the circulation of books, pamphlets, and white papers that argued for international bimetallism to be circulated among officials and financiers in Europe. In Horton’s view, the most significant obstacle to international agreement on silver was not economic; Europe had suffered deflationary pressures without making policy changes. The greatest obstacle was ideological. The gold standard had become a kind of faith among leading European politicians despite growing economic scholarship that suggested otherwise. As an issue of faith, departure from the gold standard would require conversion. Thus the propaganda campaign for international bimetallism appeared essential to Horton. Referring to these allegiances to the gold standard, he lamented that “the whole structure of current doctrine, the education of the learned, the recognized principles of policy bearing upon these questions have to be remodeled from the foundation up.”¹⁸ Taken together, these three strategies would position the United States to renew monetary diplomacy the moment changing conditions presented a new opportunity.

The Horton memorandum was well received by Secretary Windom and President Harrison; it became the basis of official US policy on the matter during the Harrison administration. Less than four months after taking office, Harrison appointed Samuel

¹⁸ Ibid, 33.

Dana Horton himself as special envoy to Europe on the question of international bimetallism. Sounding out European officials and remaining in constant contact was the first part of the strategy Horton had outlined. With the United States paying his way, Horton took up residence in London and began renewing his associations and acquaintances in European society. This was not difficult for the entrepreneurial Horton, who had spent as much of his adult life in Europe as he had in his native Ohio. Like his friend Henry James, Horton had developed a great affinity for London society. He returned to the Athenaeum Club, where he met and exchanged letters with prominent men of affairs, including Sir Charles Fremantle, Master of the Royal Mint, and William Gladstone, then opposition leader in Parliament, among others.¹⁹ From this vantage point, Horton awaited new signs of European readiness to negotiate on the question of silver currency.

¹⁹ See, for example, William E. Gladstone to Samuel Dana Horton, 22 December 1889, box 1, folder 1, Lydiard Horton Papers (hereafter LHP), Rare Book and Manuscript Library, Columbia University. See also Sir Charles Fremantle to Samuel Dana Horton, 24 July 1889, LHP.

Toward a New Monetary Conference

*[England] sympathized with the South during the Civil War in order to weaken the Union. They are doing the same now with their insistence on the gold standard.*²⁰

– Edwards Pierrepont, 1887

Anti-British sentiments like these were, to be sure, common currency in American politics during the late nineteenth century. While the utterances of Edwards Pierrepont, the former Attorney General to Grant, represented a clear example of the idea of Britain in the American political imagination, they increasingly differed from the real state of affairs emerging on the question of an international monetary agreement. It was certainly true that Great Britain remained the leading financial power in the global economy and remained ideologically wedded to the gold standard as a powerful signifier of British wealth and supremacy. This was especially true among Liberal Party elites, who had presided over the incredible economic expansion of Britain between 1846 and 1873.

Yet even before Harrison's electoral victory in the United States returned American advocates of international bimetallism to power, signs of change were developing on the other side of the Atlantic. In Britain, the long depression of commercial activity continued and commodity prices continued to decline, destabilizing the bipartisan consensus regarding national economic policies on imperial preference,

²⁰ *New York Times*, 27 December 1887.

free trade, and the gold standard. British manufacturing interests, for example, faced diminishing sales and growing indebtedness. In response, they began campaigning for bimetallism as a means of relieving the burden of gold denominated debts. One leading textile magnate argued for bimetallism on just such grounds: “The capitalist class can be divided into the fixed investment class and the industrial capitalist,” he said. “Whereas the former gains by every fall in prices, the latter suffers.”²¹ Agitation also surfaced in the imperial polity. In British India, where the value of the silver rupee declined against gold, officials worried about the increasing difficulty of paying gold-denominated debts to London. Most British officials in India saw international bimetallism as the best solution these monetary problems. As Sir Guilford Molesworth, delegate from British India, remarked: “The only satisfactory solution [to these monetary problems] would be international bimetallism in which India would join with the Latin Union and the United States.”²² These examples suggest that the breakout of bimetallism in the late 1880s represented a deepening struggle between debtor and creditor classes in Britain.²³ British politician Arthur J. Balfour concluded that “Lancashire was in favor of [bimetallism] but the City people were against it.”²⁴ While this growing split between debtors and creditors was certainly a large part of rising support for bimetallism—that support also turned on a distinct division emerging within the creditor class itself.

²¹ British cotton magnate J.C. Fielden quoted in E. H. H. Green, *The Crisis of Conservatism: The Politics, Economics and Ideology of the Conservative Party, 1880-1914*, New edition (London: Routledge, 1996), 44.

²² *Los Angeles Times*, 14 December 1892.

²³ E.H.H. Green emphasizes this point in his interpretation of domestic politics.

²⁴ Arthur J. Balfour to Robert Todd Lincoln quoted in Lincoln to James G. Blaine, 4 February 1892, series 1, reel 34, Benjamin Harrison Papers microfilm copy (hereafter, BHP), LOC.

The most important changes in Britain were the emerging signs of new openness to the rehabilitation of silver currency at the highest official levels. The return to power of the Conservative Party in 1886 set the stage for a potential shift in official policy. Like the Republican Party in the United States, Britain's Conservative Party had become the natural home of bimetallism, representing the country interests and incorporating the interests of Liberal Unionists exhausted by the Gladstonian program. In the new Salisbury government, George J. Goschen was appointed Chancellor of the Exchequer in 1887. Goschen, as discussed in prior chapters, was already sympathetic to the rehabilitation of silver currency. In the early 1880s, he had given the most widely discussed public address against the gold standard made in Britain. His speech outlining the increasing difficulty of monetary operations under the gold standard can be viewed in political terms—as declaration of opposition to the Gladstone government, which remained staunchly in favor of the gold standard.

Yet it also signaled the beginning of an important split among the investment bankers of Lombard Street. Goschen was himself a banker and a partner at a smaller firm in the City of London, a position that provided his entrance into politics. During the 1880s, Goschen was joined by a number of eminent financial figures of the City, who like Goschen made the argument for the renewed use of silver currency on the grounds that it would increase the monetary base that acted as reserves for the largest financial institutions and facilitated all exchanges in the economy. The emerging splits among British creditors and the ascendancy of Goschen to a position of policymaking power were the most important signs of change to American observers.

The first sign that British actions on the question of silver currency might match earlier rhetoric came in late 1889. As Chancellor of the Exchequer, Goschen began removing gold half sovereigns from circulation and replacing them with silver coins.²⁵ By the following year Goschen, having reached the statutory limits of his power, began advocating for the replacement of all pound sterling gold coins with paper notes, an idea which startled many of the gold standard stalwarts in finance. Observing the actions of the Exchequer, one prominent banker confided: “Whatever Mr. Goschen may have to say, this operation [represents] submission to bimetallism.”²⁶ While City bankers were divided on the actions of the Exchequer, Americans interested in international bimetallism saw these steps as clear evidence of the problems posed by gold scarcity under the gold standard and as a sign that the British government may yet be willing to embrace a diplomatic agreement on silver currency.

New signs outside Britain in 1889 also seemed to favor the possibility of a new diplomatic opening. During the *Exposition Universelle* in Paris that summer, French officials spoke on the importance of silver currency to the future health of the global economy to a gathering of foreign officials.²⁷ In addition, France had recently renewed the Latin Union treaty, which observers viewed as yet another sign of French commitment to an international monetary agreement.²⁸ In the United States, the new Congress gathered in Washington that December. The Republican Party controlled

²⁵ *New York Times*, 29 November 1889.

²⁶ Alphonse de Rothschild to NMR & Sons, 31 January 1891, T File Extracts, box 22, folder 1, Business Records, RA.

²⁷ *New York Times*, 12 September 1889

²⁸ See, for details, Henry Parker Willis, *A History of the Latin Monetary Union* (Chicago: University of Chicago Press, 1901).

Congress and the White House and had made it clear in the press that some accommodation on silver would be part of the upcoming legislative agenda.

These political and policy developments on both sides of the Atlantic fostered a steady increase in the price of silver in world money markets. As one financial journal reported that November, “Since May last the price of silver has risen. The general feeling of the market too is that its advance will continue.”²⁹ This trend marked an enormous swing from the near constant decline in the price of silver since the early 1870s. According to the report of the US Geological Survey in 1889, silver had fallen 26 percent before the upswing that began in 1889.³⁰ The improving price of silver against gold was likely driven by increased demand for silver in Britain and by the anticipated increase in demand for silver in the United States. Some of the rise may have been driven by speculators, but the result, nevertheless, was to push the price of silver in terms of gold back toward a ratio that made an international monetary agreement a more likely possibility.

If these signals were positive, they were modest tremors in an economic world defined by the British gold standard. What advocates of international bimetallism needed was something on the scale of a tectonic shift—which they got in late 1890 and early 1891 with the near collapse of Baring Brothers of London. In the wake of the Baring crisis, the case for the expanded use of silver currency and for the bimetallic standard, in particular, gained new ground in Britain. William Lidderdale, Governor of the Bank of

²⁹ *New York Times*, 29 November 1889.

³⁰ *Annual Report of the United States Geological Survey, 1889* (Washington: GPO, 1889), 55.

England during the crisis, became a convert to the bimetallic standard for Britain and for international bimetallism. Exchequer Goschen, without specifying policy changed gave public signal of openness to changing official monetary policy in 1891. In private, discussions with US representatives that would lead to British participation in a new monetary conference had also begun.³¹ This process culminated in January 1892, when Chancellor Goschen publically communicated British support for a new monetary conference sponsored by the United States.

The Harrison administration moved quickly to take advantage of the new opening with Britain, issuing its first instructions on a proposed conference to US Minister to Britain, Robert Todd Lincoln, on 11 January 1892.³² In the following months, correspondence between Lincoln and Secretary of States James G. Blaine showed the extent of the new openness to silver diplomacy on the part of the Salisbury government in Britain. Goschen, as Exchequer, helped shape the language of US invitations to France and Germany in ways that allowed the European powers to participate without damaging the delicate political position of those governments at home.³³ Prime Minister Salisbury himself confessed to Lincoln his personal agreement with the idea of bimetallic reform, though he remained caution of the political consequences that might follow such a dramatic policy change.³⁴ Despite these reservations, Salisbury appointed Goschen, the member of his cabinet most supportive of silver currency, to lead the private negotiations

³¹ Horton reported these details to Washington. Samuel Dana Horton to James G. Blaine, 18 May 1891, RG 59, Miscellaneous Letters of the Department of State, 15 May to 27 June 1891 (microfilm copy), reel 114, NARA.

³² Lincoln to Blaine, 4 February 1892, series 1, reel 34, BHP, LOC.

³³ Lincoln to Blaine, 16 February 1892, series 1, reel 34, BHP, LOC.

³⁴ Related in Lincoln to Blaine, 4 February 1892, series 1, reel 34, BHP, LOC.

unfolding between Britain and the United States. Throughout early 1892, Goschen played a key role in advising representatives of the United States. In February, banker August Belmont of New York wrote to N.M. Rothschild of London with news that the new US Treasury Secretary, Charles W. Foster, had sailed for England for confidential meetings with Goschen.³⁵ Taken together, these developments represent signs not only of new British openness on an international monetary agreement but active coordination with the United States to bring about a diplomatic conference for that purpose.

As a result, in May 1892, formal invitations were issued by the United States for a new monetary conference. Britain officially accepted the invitation first. As the most influential monetary power, Britain with its acceptance set in motion a flurry of diplomatic communications to bring the other powers to the negotiating table. US Minister to France, Henry Vignaud, reported from Paris that the French government, through Finance Minister Rouvier, had expressed a qualified interest in a new conference. “Mr. Rouvier plainly indicated that the action of France would be in conformity with that of England.”³⁶ This contingent willingness to move on the question of monetary coordination by treaty was echoed throughout the correspondence between US Ministers across Europe and the State Department during the summer of 1892. To be sure, European powers were feeling the strains of global monetary conditions to differing degrees. Those that held sufficient reserves and whose currency operations at home remained stable were certainly less enthusiastic than Britain. Nevertheless, if Britain was

³⁵ Secretary William Windom died in office in January 1891, Foster was appointed the same month. For details of Foster’s departure, see August Belmont to NMR & Sons, 23 February 1892, box 55, folder 3, Business Records, RA.

³⁶ Henry Vignaud to Blaine, 2 June 1892, series 1, reel 35, BHP, LOC.

willing to alter its policy, it appeared that much of Europe would follow suit. By July, Brussels had been chosen as the host city for the new conference and invitations were accepted by the leading European states.

Samuel Dana Horton had advised the Harrison administration to await developments in Europe before setting forth on a new diplomatic campaign to establish international bimetallism. In 1891 and 1892, that opening emerged, especially in Britain following the Baring crisis. The changing international playing field, however, was not the only motive driving the government of the United States to pursue an international monetary agreement. As Harrison entered the presidential campaign year, he touted the positive economic conditions that emerged domestically following the landmark Republican legislation that increased tariffs and more than doubled government silver purchases in 1890. “It cannot be denied that all the conditions of prosperity and of general contentment are present in a larger degree than ever before in our history,” he reported to the American people in December 1891.³⁷

Still, the positive economic statistics outlined in his annual message glossed over the structural economic problems beneath the positive totals. The McKinley Tariff, the most protectionist trade legislation in American history to that moment, shielded domestic industries from foreign competition and boosted bottom lines, but it also seemed to many Americans as the hand-maiden to monopoly power in the American economy. The tariff did protect industrial sectors, but as each sector of industry became

³⁷ Harrison made these comments in his annual message of 1891 See James D. Richardson, ed., *Messages and Papers of the Presidents, 1789-1897*, vol. 9 (Washington: GPO, 1899).

increasingly monopolized by individual corporations, protectionist trade laws seemed to benefit individual industrial magnates. The Republican Party had become the “tariff-trust party” in a “tariff and trust-ridden land,” according to some opponents.³⁸

The difficulty for President Harrison was that the new tariff law, which seemed to give industrialists and investors all they wanted, stood in stark contrast to the Silver Purchase Act of 1890, which appeared as a half-measure that failed to provide any relief for the agricultural producers of the American Midwest and Far West, who faced falling prices and increasing debts. By the beginning of the campaign year, it was clear that Harrison needed something tangible to win back agricultural regions and their representatives. He confidentially discussed the potential benefits of new international monetary diplomacy on his electoral chances at home.³⁹ Harrison also turned his focus toward the rehabilitation of silver currency by international agreement because the continuing drain of gold away from the United States placed pressure on the reserves necessary to pay government obligations in gold. Especially following the sweeping Republican defeats in the midterm elections of 1890, which gave control of the Congress to the Democratic Party, the diplomatic initiative offered the opportunity to regain support in the West and relieve the problems created by the continued export of gold.

³⁸ J.S. Moore, “Letter to the Editor,” *New York Times*, 12 March 1888.

³⁹ Blaine to Harrison, 21 April 1892, series 1, reel 1, BHP, LOC.

The Conference Convenes

With all the arrangements made over the course of the summer, delegates to the Brussels Conference finally gathered during the last week of November 1892. President Benjamin Harrison had hoped his efforts to secure an international monetary agreement might boost his electoral chances at home. With so many delays, however, the conference arrived too late to change his political fortunes in the presidential contest. Democrat Grover Cleveland had been elected over Harrison earlier that month, casting uncertainty over any initiatives that the Harrison administration pursued in the interim.

In Brussels, American efforts were made more difficult by the political transition at home and changes in the politics and geopolitics of Europe since invitations to the conference had been accepted earlier that year. Though an emerging alignment of US and British interests on an international monetary agreement had triggered the conference, other factors remained serious obstacles to any potential agreement in Brussels, including the intensifying economic nationalism marked by policies of protectionism and imperialism, the defeat of the Conservative Party in Britain, and the general destabilization of the balance of power in Europe.

The rise of economic nationalism among the great commercial powers remained a significant obstacle to international cooperation on the monetary question. In the decade since the last attempt to establish an international agreement on the use of silver currency, Europe economic relations had been marked by real and threatened trade wars, between Germany and Austria, France and Italy, and Britain and France, among others. The

passage of the McKinley Tariff in the United States was only the most recent data point in a trend toward national self-sufficiency and away from an open international economy. This turn toward protectionism—and toward imperialism—rested partly on domestic economic hardships and attempts by ruling elites to manage the cyclical nature of laissez-faire capitalism during a period of rapid globalization. In many cases, advocates of an international agreement on silver currency saw a potential treaty as a means to relieve global deflationary pressures and to rescue the commercial world from the path of economic nationalism. Economic conditions imposed by the gold standard, according to one contemporary, was extinguishing “that noble ideal from which a harmony of interests among nations should spring—free trade.”⁴⁰

If economic nationalism presented an obstacle, it was certainly not insurmountable. After all, the expansion of trade which was the promise held out by international monetary stability remained a powerful inducement to cooperation. A more immediate source of difficulty came with the unexpected defeat of the Salisbury government in Britain and the return to Liberal Party rule in August 1892. The Conservative Party had received a plurality of votes but was unable to form a majority and subsequently did not survive a no-confidence vote in Parliament. The results returned Gladstone to power as head of a coalition government.⁴¹ The implications for the emerging alignment of US and British interests on the silver question were hard to overstate. Goschen, the driver of Britain’s conciliatory policy, was removed from power.

⁴⁰ Emile de Laveleye, “The Economic Crisis and Its Causes,” *Contemporary Review* 49 (May 1886): 621–637.

⁴¹ For details, see Green, *The Crisis of Conservatism*.

Prior to the election, the Salisbury government had appointed British delegates to the Brussels Conference with clear sympathies favoring monetary compromise. The Gladstone government added gold standard stalwart Bertram Currie as delegate in the weeks before the conference. The result in Brussels was a British delegation often divided against itself in the negotiations of the conference.

Among the multiple interlocking obstacles that faced the United States and others interested in an international monetary agreement was the new outlook of France. France, as leader of the Latin Monetary Union, held enormous sway over the conference because it could influence the votes of fellow Latin Union countries, including Belgium, Switzerland, Italy, Spain, and Greece. Therefore, France, more than any other single country controlled the fate of the Brussels Conference. Even before the conference began there were signs France, though it maintained a *de jure* bimetallic standard, was inclined toward an international agreement as it had been as recently as 1889. Part of French reluctance at Brussels rested on the changed conditions of domestic monetary operations. France had been one of the largest purchasers of gold on the open market in recent years. Between 1890 and 1892, the Bank of France increased its holdings in gold from 1.12 billion francs to 1.71 billion francs, numbers which dwarfed the holdings of the Bank of England at the same time.⁴² Therefore the French government was not under the same kind of monetary pressures as Britain and the United States. Nevertheless, France

⁴² "Bimetallism in Europe and India," *Bankers' Magazine and Statistical Register* 47, no. 11, (May 1893): 849.

remained the largest European holder of silver and therefore had evident reason to cooperate in Brussels.

For further motives for the change in the French position, non-economic factors should be considered. Foremost among these was the growing geopolitical tensions between France and Britain over the British occupation of Egypt. The French had been the largest holder of Suez Canal shares outside the Egyptian government until Britain purchased the Egyptian shares in 1878. The subsequent Anglo-French commission that supervised the refinance of Egyptian debt became a locus of contention between the European powers, as influence over Egyptian affairs tilted toward Great Britain. These tensions only increased after 1882, when Britain invaded Egypt in response to the nationalist uprisings led by Urabi. Britain, in the years that followed, sought to extend its influence southward beyond Alexandria and Cairo and into the Sudan.⁴³ These military campaigns to extend Anglo-Egyptian control threatened French claims in the region and the ambitions of French imperialists to unite their East African and West African colonies. Five years before French and British forces clashed at Fashoda over these exact concerns, France was already concerned with British expansionism in the region and wary of cooperation with Britain elsewhere. At the Brussels Conference, these factors combined to place France in opposition to Britain and the United States.

⁴³ For details, see A. G. Hopkins, "The Victorians and Africa: A Reconsideration of the Occupation of Egypt, 1882," *Journal of African History*, 27, (1986): 363-391.

The Rothschild Compromise

In reports to the State Department, Senator William B. Allison, the leader of the US delegation at Brussels, confessed that proposals for international bimetallism were meeting with less enthusiasm than expected. “Upon our arrival,” he reported, “we found a sentiment among the delegates from other countries somewhat opposed to [our] views on the subject.”⁴⁴ The Senator from Iowa, then age 63, was a respected Republican voice on financial questions as well as one of the original sponsors of US diplomatic efforts to establish international bimetallism in 1878. Allison, even before his arrival in Brussels, understood that true international bimetallism was not possible. During the first meetings of the conference, he therefore sought to probe the European representatives on what they would be willing to do for silver currency. A number of European plans were debated in initial meetings. The conference passed a motion to send these competing plans to a sub-committee for recommendation to the conference. In committee, Allison hoped to get European votes on the table so that the United States could quickly agree to the most popular European plan. There were clear obstacles to international bimetallism *pure et simple*, yet there were also distinct incentives for cooperation at work in Brussels, given the effect of long term trends in the world price of silver. As one delegate suggested, “If silver is absolutely smashed [by the conference], it would practically become unsalable and there would be such a panic as never was seen.”⁴⁵

⁴⁴ William B. Allison to John W. Foster, 30 November 1892, series 1, reel 38, BHP, LOC.

⁴⁵ Alfred Rothschild to NMR & Sons, 24 November 1892, box 442, folder 8, Business Records, RA.

The debate over the use of silver currency did not begin in earnest until the fourth session of the Brussels Conference. Allison had held back the proposals outlined in his official instructions, knowing of European reluctance to discuss an international bimetallic agreement. Without a US plan as the basis for discussion, a wide-ranging debate over the fall of silver prices and the merits of an international bimetallic standard began. One delegate described these initial talks as a reign of confusion: “Vacillation on the part of the Americans, total ignorance of the question on the part of the accredited ministers of the great powers, [and] a wicked desire for some to smash up the conference at once.”⁴⁶ In the fourth session, to avoid further confusion, Russia and Spain motioned to send the few plans that had generated some positive discussion to committee for recommendation.

Among the number of plans introduced, the compromise program authored by Alfred de Rothschild of Britain was most well-received. Alfred de Rothschild was well-regarded among the social and political elites of Britain, both as a financial expert and an upholder of British interests. He was a partner at N.M. Rothschild and Company, the London investment bank made famous and wealthy by his grandfather’s efforts in financing the British campaign against Napoleon.⁴⁷ Regarding the monetary question, Rothschild remained a supporter of the gold standard. Yet he was also openly aligned with many of the arguments put forward by bimetallicists regarding the difficulties posed to monetary operations by gold scarcity created by increasing demand for gold. These

⁴⁶ Alfred Rothschild to NMR & Sons, 27 November 1892, box 442, folder 8, Business Records, RA.

⁴⁷ For biographical details on Alfred Rothschild, see T.G. Otte, “He Interviews the Ambassadors” in John Fisher and Antony Best, eds., *On the Fringes of Diplomacy: Influences on British Foreign Policy, 1800-1945* (London: Ashgate Publishing, 2011), 53-80.

positions were likely behind his appointment as a delegate by Goschen, who shared similar views. In Brussels, his proposal emerged in committee as the most discussed and most likely to gain traction with the wider conference. It did so because it represented a modest accommodation to silver interests—and because it offered a way to increase the price of silver against gold without altering current monetary standards in the various countries. Foremost, the proposal was offered by Britain, which meant that for the first time, the most persistent opponent of an international monetary agreement was now on the side of reform.

The details of the Rothschild proposal were very straightforward. In essence, it proposed an international agreement for silver purchases—a kind of global version of the Sherman Silver Purchase Act of 1890 enacted in the United States. Under the terms negotiated by the sub-committee, the proposal consisted of three parts: 1) the purchase by the European states of 30 million ounces of silver per year, 2) the continuation by United States of current purchases of 54 million ounces per year, and 3) the continuation of the free coinage of silver in India and Mexico.⁴⁸ The plan was a compromise scheme that balanced the understanding that Britain under the Gladstone government would not alter the domestic gold standard with the clear need to rehabilitate the use of silver currency worldwide. As a banker and not a politician, Rothschild understood the economic difficulties posed by the gold standard under conditions of increased demand for gold. Rothschild confided privately: “The right policy for England to pursue is to be very

⁴⁸ *International Monetary Conference at Brussels: Report to the Lords Commissioners of Her Majesty's Treasury* (Parliament, 1893), vi.

courteous to the Americans and, whilst opposing [international bimetallism], strain every nerve in favor of silver.”⁴⁹

In Committee, the Rothschild proposal had supporters and detractors. Britain, the United States, Mexico, Spain, and British India clearly favored the plan. The alignment of the United States and Britain remained intact. US delegate Henry W. Cannon, president of Chase National Bank of New York, supported the Rothschild proposal. The plan drew complaints, however, from both ardent defenders of the gold standard and advocates of the bimetallic standard alike. The Belgian bimetallist Alphonse Allard saw the Rothschild plan as a half measure that would not change the declining price of silver.⁵⁰ France, in the end, was the largest opponent of the Rothschild plan, perhaps because it was most likely to succeed among the various proposals. In his notes, Rothschild described the actions of France as “hostile” and “obstinate” in committee negotiations.⁵¹ The official British report on the proceedings later recorded that “Mr. Tirard [of France], from the outset, was disposed to criticism rather than cordial cooperation.” Ten days after the conference opened, the sub-committee charged with assessing the various proposals voted on whether to recommend the Rothschild plan to the conference. The results showed the power of French intransigence. “The committee declares that the plan of M. de Rothschild is worthy of discussion, but declined on a vote of 7 to 6 to recommend the adoption of the plan,” one newspaper reported.⁵² Four of the

⁴⁹ Alfred Rothschild to NMR & Sons, 23 November 1892, box 442, folder 8, Business Records, RA.

⁵⁰ *International Monetary Conference*, 94.

⁵¹ Alfred Rothschild to NMR & Sons, 30 November 1892, box 442, folder 8, Business Records, RA.

⁵² New York Times, 3 December 1892.

votes against recommendation came from countries of the Latin Monetary Union who were subject to the influence of France. The Rothschild proposal returned to the conference for discussion but had been irrevocably injured by the compromise vote of the committee. On 8 December, 1892, the Rothschild plan was withdrawn from consideration, effectively halting efforts to reach a monetary compromise.

The vote on the Rothschild proposal for an international silver purchase agreement—and the success of the Brussels Conference, as a whole—turned on the question of French cooperation. There was little doubt that Britain was sincere in its proposal. In back channel diplomacy, Alfred Rothschild induced his French cousin Alphonse to lobby the French Cabinet as the conference sat in Brussels.⁵³ Sir William Harcourt, then Chancellor of the Exchequer in the new Gladstone government, had indicated his support for such a compromise in a letter to British delegate Charles Fremantle.⁵⁴ Likewise, Senator Allison of the United States appeared ready to accept the outlines of the proposal despite some sentiment among US delegates that Americans were asked to bear the larger portion of the burden for rescuing silver. Allison later commented that the US delegation had been “ready to consider any just plan for the enlarged use of silver.”⁵⁵ French intransigence, in the end, foreclosed any chance that an international agreement might emerge from Brussels. “Mr. Tirard states once and for all that France is against bimetallism,” reported Rothschild privately.

⁵³ Alfred Rothschild to Rothschild Frères, 8 December 1892, box 443, folder 8, Business Records, RA.

⁵⁴ Alfred Rothschild to NMR & Sons, 22 November 1892, box 443, folder 8, Business Records, RA.

⁵⁵ *New York Times*, 31 December 1892.

Why did France, the key ally of the United States in previous efforts to establish an international monetary agreement, move into whole-hearted opposition by 1892? Previous interpretations have emphasized the changed monetary conditions in 1892. Despite the increased demand for gold, France had accumulated substantial gold reserves. Journalist Henry B. Russell, at the time, reasoned that these changed conditions were at the heart of French obstructionism. “The most unfortunate circumstance of all was the change in gold holdings... [In 1881,] the United States appeared at the conference as a large holder of the coveted metal and Europe had been troubled by low reserves. [In 1892,] the situation was reversed.”⁵⁶ While increased French gold reserves removed some of the urgency for international cooperation, guaranteed silver purchases by the leading economies as proposed in the Rothschild plan would still provide clear economic benefits to France, which remained the largest holder of silver in Europe. Ongoing geopolitical tensions with Britain and the domestic politics related to these tensions, in particular, add dimension to the roots of French obstructionism. Senator Allison himself seemed to reach this conclusion. On returning to the United States, he said that “political rather than commercial causes” had contributed to the obstacles confronted at Brussels.⁵⁷ This explanation certainly included the problems posed by changed governments in London and Washington. Yet it also included the growing geopolitical tensions between France and Great Britain over imperial ambitions in Africa.

⁵⁶ Henry B. Russell, *International Monetary Conferences* (New York: Harper & Brothers, 1898), 373.

⁵⁷ *New York Times*, 31 December 1892.

For France and Britain, there were good reasons to reinforce colonial beachheads in Africa. Speaking of the economic implications, one leading French banker confided that “gold, until now, [has been] taken out of circulation and therefore cannot be employed in international markets... The news from Mr. Rhodes regarding the Transvaal is most gratifying—the development of gold mines of the Cape [are] a very important fact for all of the commercial world.”⁵⁸ The riches of Africa seemed ripe for European extraction, as the age of new imperialism proceeded the question was whether Africa would be united on a North-South axis under British influence or an East-West axis under French influence.

Confronted with French obstruction, Alfred Rothschild withdrew his proposal from discussion at Brussels. Deliberations continued for several days without result. At the tenth session, a motion to adjourn the Brussels Conference until May 1893 was passed. The clear shift toward accommodation by Britain meant little without some coordination with France or Germany. Senator Allison understood that Europe was not ready to come around to true international bimetallism. Nevertheless, he remained optimistic that treasury officials and financial experts in the capitals of Europe could convince their respective governments before May that something like an international silver purchase agreement benefitted them economically and geopolitically. On 17 December 1892, the delegates to Brussels Conference departed. The international meeting had been inconclusive. However, it was far from inconsequential.

⁵⁸ Alphonse de Rothschild to NMR & Sons, 27 October 1892, T File Extracts, box 23, folder 1, entry 21, Business Records, RA.

Conclusion

The news of the failure to of the Brussels Conference to produce an anticipated agreement on silver contributed to an ongoing atmosphere of uncertainty in global financial markets during early 1893. Alfred Rothschild predicted that the failure to produce a diplomatic agreement for the expanded use of silver would produce “a panic as never was seen, especially as regards to the scramble for gold.”⁵⁹ In May 1893, President Cleveland decided against reconvening the conference. With expectations for increased silver demand removed, the price of silver in world markets resumed its downward trend. In addition, European governments resumed gold purchases and the Bank of England raised its discount rate in response. Both developments signaled tightening credit markets and approaching difficulties for global financial markets to many observers. In his warning to markets, Moreton Frewen, the British economic journalist, emphasized increasing debt burdens imposed by ongoing deflation. “Prices in Egypt [are] lower by one-half than they were fifteen years since, [doubling] the burden of Egyptian debt... In Germany, the growth of agrarianism, anti-Semitism, and socialism [resulted] from the [same] fall in prices.”⁶⁰

The failure to reach an agreement at Brussels had a particularly adverse impact in the United States, producing uncertainty on Wall Street. The recent election had transferred the government to the Democratic Party. President Cleveland had a sterling

⁵⁹ Alfred Rothschild to NMR & Sons, 23 November 1892, box 443, folder 8, Business Records, RA.

⁶⁰ Moreton Frewen, “Currency Crisis in the United States,” *Fortnightly Review* 53, no. 318, (June 1893): 762.

reputation on the currency question, in the minds of financial conservatives in American business. He had proven less reliable, however, on the question of the tariff. High tariffs had long insulated American firms and their investors from dreaded competition. Protectionism was enshrined as Republican Party policy. The victory of Democratic Party, however, meant that downward revisions to US tariffs were likely to be legislated in the next Congress, threatening the advantages in the home market enjoyed by American firms. In addition, as in England, the export of gold through foreign purchases continued downward pressure on national gold reserves. By May, American financial journals were reporting that “the scarcity [of gold] is an accomplished fact.”⁶¹ In June, after the government of British India announced the initial steps toward establishing the gold standard there, President Cleveland called Congress into special session to repeal the laws requiring government silver purchases. The repeal was passed into law that November, though not in time to prevent a financial collapse on Wall Street. The Panic of 1893 resulted in the deepest economic downturn in the United States before the Great Depression of the 1930s. Mass unemployment created untold suffering. For propertied conservatives, it also raised the specter of radicalism and social unrest. Looking at the bleak situation, Frewen concluded: “Had the Brussels Conference last November resulted in making silver legal tender [internationally], prices now everywhere collapsing would already have rallied and no such catastrophe as the present would have occurred.”⁶²

⁶¹ “Bimetallism in Europe and India,” *Bankers’ Magazine and Statistical Register* 47, no. 11, (May 1893): 849.

⁶² Ibid.

Between 1889 and 1893 the idea of international bimetallism again moved to the center of world politics. In this process, the United States succeeded finally in moving Britain toward some international agreement on silver. Britain had not only moved on the substance of the issue but also used its diplomatic influence to bring the continental powers to the negotiating table in Brussels. These changes resulted from difficulties raised by new gold purchases in Europe and also from the official and unofficial efforts of bimetallic advocates on both sides of the Atlantic. For champions of international bimetallism, there must have been some irony in witnessing the outcome at Brussels. Britain had moved toward the United States, offering a modest but realistic plan for a coordinated silver purchases. France, unfortunately, had moved in the opposite direction. Evidence suggests that the French position at Brussels emerged more from non-economic factors than from economic ones. France, as the largest holder of silver in Europe, still had a clear material interest in raising the price of silver. In addition, in France there were no ideological obstacles toward bimetallism in official circles. France under the Carnot government, at that moment, had little interest in relieving the monetary difficulties of its apparent geopolitical rivals. By 1893, Britain appeared as a growing obstacle to French ambitions in Africa. Germany had become more assertive in its foreign policy, raising traditional French security concerns in Europe. Only 3 months prior to the Brussels Conference, France had entered into a mutual defense alliance with Russia to address the potential German threat.⁶³ The US effort to reach an international

⁶³ France during this period “was challenging Great Britain in Egypt and West Africa, quarrelling with Italy to the point of blows, and girding itself for the *revanche* against Germany.” For details see Paul Kennedy, *Rise and Fall of the Great Powers* (New York: Vintage, 1987), 219-224.

agreement on silver currency, despite some successes, was thus overwhelmed by the pressing uncertainties of great power politics unfolding in Europe.

Chapter 5: Reunion of Financial Conservatives: International Bimetallism and Anglo-American Rapprochement, 1893-1900

Introduction

Immense quantities of British capital are awaiting investment in the United States as soon as confidence should be restored in our monetary standard.

New York Times, 1895¹

On 4 March 1897, under a cloudless sky in Washington, William McKinley addressed the nation as president for the first time. Though the mood in the capital was jubilant, a deeper sense of anxiety rooted in the ongoing economic depression persisted across the country. If the decade of the 1890s represented a watershed of American history, as Henry Steele Commager observed, the election of 1896, which elevated McKinley to the presidency, was its highest point.² Financial collapse and recession had divided Americans into rival political, economic, and ideological camps more distinctly than at any time since the Civil War. On one side, agricultural producers of the American West and South looked to the past, sounding themes of national economic independence that in many ways echoed the era of Jackson. On the other side, the industrial and financial forces that would define the future argued not for economic independence but rather for the return of national prosperity within the framework of an increasingly global

¹ *New York Times*, 25 July 1895.

² Henry Steele Commager, *The American Mind* (New Haven: Yale University Press, 1950), 41.

economy. When the election returns were counted, the cry of prosperity trumped the cry of independence.

The McKinley victory, in policy terms, signaled higher tariffs, trade reciprocity, and sound currency. Yet it also represented the affirmation of historic transatlantic commercial and financial relations between the United States and Britain following a period of uncertainty. His election was celebrated with as much enthusiasm in London as it was in Republican strongholds in the United States. British observers tended to see his triumph in financial terms. *The London Times* described an “exuberant sense of relief” in the City. “The most satisfactory thing is the crushing blow which the result strikes the cause of confiscation the world over,” added another London journal.³ They celebrated the downfall of McKinley’s opponent, William Jennings Bryan, in particular. “Mr. Bryan assailed the foundations of commerce and the commercial community has given him his just reward.” As these sentiments implied, the election of McKinley signaled not only the return of Republican policies at home but also the restoration of transatlantic economic relations abroad.

If the new president shared the deep sense of satisfaction expressed by his British admirers he kept his feelings closely guarded. In his inaugural address, McKinley instead displayed a sober and conciliatory temperament while outlining his agenda. On the currency question, which had dominated the recent campaign, he called for sound money and not for the establishment of the gold standard, as his British admirers hoped (and his

³ “Foreign Views of the Election,” *The Independent*, 12 November 1896.

domestic opponents feared) he would.⁴ His speech argued rather for a sound and stable currency aided by the establishment of international bimetallism. Other than the tariff, no topic received more prominent attention in his speech. McKinley, like his Republican predecessors, advocated international bimetallism not for political expediency but because it promised a broader and more stable currency base while avoiding the dangers to transatlantic trade and investment posed by free silver. “The question of international bimetallism will have early and honest attention,” declared the new president. “It will be my constant endeavor to secure it by cooperation with the other great commercial powers of the world.”⁵ As he took office, the plain-spoken and policy-minded McKinley sought to keep this promise, working to secure an international monetary agreement that provided relief from the deflationary pressures of the gold standard while maintaining a US currency that provided the basis for trade and investment.

The monetary diplomacy of the McKinley administration represented the culmination of a period of renewed interest in bimetallism on both sides of the Atlantic. Between 1893 and 1897, the idea of international bimetallism experienced a remarkable resurrection. Defenders of the gold standard had celebrated its apparent demise with the failure of the Brussels Conference of 1892. “It is useless to attempt to bring about a universal [bimetallic] agreement,” wrote London’s *Saturday Review*. “Therefore we seem justified in assuming that the agitation will now gradually die out.”⁶ Yet, by early 1897, bimetallism again became one of the leading questions of great power diplomacy. By

⁴ “London Financiers Pleased,” *Washington Post*, 5 March 1897.

⁵ William McKinley, “Inaugural Address,” 4 March 1897. *UCSB American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=25827>.

⁶ “Money Matters,” *Saturday Review* 74, no. 1939 (December 24, 1892): 735–36.

summer that year, governments in Europe had responded positively to US efforts to revive an international agreement.⁷ France supported the American diplomatic effort without reservation. Germany committed to follow British policy on any proposed international agreement. With these signs of new openness on the monetary question, the United States and Britain engaged in diplomatic negotiations at the highest levels in an effort to produce a monetary accord.⁸

There were good reasons for supporters of international bimetallism to be optimistic of some positive result. In Britain, the preceding ten years had been marked by the transformation of the bimetallic cause from elite policy proposals supported mainly by the India Office and merchants tied to Indian trade into a broad political movement that included a nascent alliance between industry and agriculture within the Conservative Party legitimized by the growing intellectual consensus in favor of bimetallism among prominent English economists and central bankers.⁹ This process of transformation culminated with the triumph of the Conservative Party in the 1895 general election based in part on bimetallic support. In March 1896, the new Conservative Party majority in Parliament overwhelmingly passed a bimetallic resolution, urging the Salisbury government to pursue an international monetary agreement.

⁷ John Hay to William McKinley, 20 May 1897, *William McKinley Papers*, Microfilm, Reel 2 Series 1, LOC Manuscript Division.

⁸ Edward O. Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission* (Washington: GPO, 1897), 5. See also, "New Movement towards Bimetallism," *The Times of India*, 19 February 1895.

⁹ E. H. H. Green, "Rentiers Versus Producers: The Political Economy of the Bimetallic Controversy, 1880–1898," *The English Historical Review* CIII, no. CCCCVIII (1988): 588–612.

These developments in Britain, along with the restoration of Republican Party rule in the United States, meant that, on both sides of the Atlantic, the parties most sympathetic to international bimetallism held more power over policymaking than ever before. As one report noted, “Never since 1873 have the prospects [for international bimetallism] been more hopeful.”¹⁰ Among policymakers in Europe and the United States, the renewed fall of silver and the remedy of international bimetallism again became urgent geopolitical questions.

The revival of international bimetallism in Europe and the United States advanced in part because the monetary disturbances set in motion by the spread of the gold standard intensified during this period. As early as 1893, monetary policy changes across the world fostered a renewed scarcity of gold reserves. Austria-Hungary had recently committed to establishing the gold standard, Russia in just a few years accumulated more than \$400 million in new gold reserves, and France between 1890 and spring 1893 had restored her depleted gold reserves to over 500 million francs.¹¹ In addition, the recent near collapse of the London investment house Baring Brothers from speculative Argentine investments provided a worrying lesson about the scarcity of reserves under the gold standard and the dangers of under-capitalized institutions.¹² These monetary developments, along with new geopolitical concerns regarding war between the great

¹⁰ “Silver Sense: British Bimetallists Meet in Convention,” *Los Angeles Times*, 3 June 1897.

¹¹ “Bimetallism in Europe and India,” *Bankers’ Magazine and Statistical Register* 47, no. 11 (May 1893): 849.

¹² The scale of Barings investments was so large that the Bank of England was forced to secure foreign assistance in order secure sufficient reserves to prevent the bank’s collapse. See Marc Weidenmier, “Baring Crisis of 1890,” in *The New Palgrave Dictionary of Economics*, ed. Steven N. Durlauf and Lawrence E. Blume, 2nd ed. (Basingstoke: Nature Publishing Group, 2009), http://www.dictionaryofeconomics.com/article?id=pde2009_B000344.

powers, hastened the accumulation of gold by respective governments during the early 1890s.

Increased demand for monetary gold posed serious challenges to governments and capital markets alike, putting pressure on the reserves held by central banks and tightening credit. For the United States, because it still operated without a central bank that could defend reserves by raising interest rates, this new demand was felt more acutely. During this period, many allotments of gold were purchased from the United States, where, under the provisions of the Sherman Silver Purchase Act, the US Treasury purchased up to 4.5 million ounces of silver per month in exchange for gold. European and American bankers alike took the opportunity to purchase gold from the United States. As early as spring 1893, these monetary policy developments worried even the most financially conservative observers. The president of the Canadian Bank of Commerce exemplified these concerns: “The last few months has been a period of unusual anxiety throughout the financial world... We are amazed at the slender basis upon which nations build enormous structures of credit.”¹³

The renewed demands on world gold supplies had implications not only for central bankers and the system of international finance but also for producers who suffered from long-term deflationary pressures intensified by these monetary changes. From London, the *Fortnightly Review* declared, “With scarcely a single exception, all our correspondents speak of a fall in prices greater than that which can be attributed to the normal progress of industry... It is contended that the depression of trade must be

¹³ “Financial Situation,” *Bankers’ Magazine and Statistical Register* 48, no. 2 (August 1893): 122.

ascribed to the appreciation of gold.”¹⁴ New demands on the world supply of monetary gold intensified ongoing deflationary pressures felt throughout the global economy.¹⁵

Together, these global monetary changes affected all economies involved in global markets, but they posed particular problems in regions outside the centers of international finance. In the United States, the increased demand for gold threatened the public credit of the government by reducing specie reserves to unprecedentedly low levels. During the second Cleveland administration alone, four distinct bond sales were required to keep national gold reserves above \$100 million – a level safe enough to ensure continued specie payments in gold. These bond sales notably included the famous private bailout of the US Treasury by J.P. Morgan and a syndicate of European and American investment houses.¹⁶ Gold demand also raised interest rates and contributed to a retreat of foreign capital from Wall Street to the banking centers of London, Paris, and Berlin. As early as December 1892, the *New York Times* noted the results: “The unusual efflux of gold from America [has] had a depressing effect on American railway [securities].”¹⁷

By May 1893, these economic realities contributed to a new financial collapse on Wall Street and a return to depression economics at home and abroad. “Our business interests are so large now,” wrote one banker, “that we cannot watch unconcerned the

¹⁴ Quoted in “Home Trade and Finance: The Silver Crises and Bad Trade,” *The Times of India*, 24 March 1893.

¹⁵ For a monetarist view of late nineteenth century deflation, see Friedman, *A Monetary History of the United States, 1867-1960*.

¹⁶ Douglas W. Steeples, *Democracy in Desperation: The Depression of 1893* (Westport: Greenwood Press, 1998), 42-60.

¹⁷ “The European Bourses,” *New York Times*, 5 December 1892.

troubles of other countries... In Italy we have seen an almost total failure of the banking system. In Australia, the collapse has been almost as complete.”¹⁸ The return of economic depression and renewed gold scarcity focused the minds of interest groups, economists, and statesmen on both sides of the Atlantic, hastening a renewed campaign for international bimetallism between 1893 and 1897.

The revival of international bimetallism in Europe during this period also rested on US diplomatic efforts and policy changes. Between 1893 and 1897, the US effort to secure an international agreement progressed through the unofficial diplomacy of American bimetallic advocates. The cause of international bimetallism had always been a Republican initiative. With the loss of the White House to the Democratic Party in 1892, Republican economists and publicists, including Francis A. Walker and Samuel Dana Horton, repeatedly traveled to London to speak on behalf of an international monetary agreement. The cause of international bimetallism was also advanced in official circles. Republican Senators led by John Sherman of Ohio and Edward O. Wolcott of Colorado kept bimetallic prospects alive. They did so first by guiding the repeal of the 1890 Silver Purchase Act through the Senate, and later by fighting to place international bimetallism in the platform of the Republican Party in 1896. These official and unofficial efforts seemed to reinforce one another. By late 1896, bimetallism had reached unprecedented popularity in Britain, while similar association movements had organized bimetallists in Germany and France.

¹⁸ “Financial Situation,” *Bankers’ Magazine* 48 (August 1893).

If economic recession and US initiatives expanded the transnational debate over monetary relations, the playing field on which bimetallic diplomacy proceeded was narrowed significantly during this period. For gold-standard defenders and bimetallic advocates alike the series of monetary conferences in the two decades prior all failed to produce a practical monetary agreement. Past conferences were routinely deprecated in the press as ineffectual debating societies. There was a sense among US officials and advocates that direct negotiations with the leading commercial nation and gold standard power remained the only way forward. "One important fact impressed me in my observations," said one US monetary diplomat. "The key to the whole situation lies with England."¹⁹ Among Continental officials there was also agreement on this point by the mid-1890s. Bimetallic France quickly fell into accord with the US diplomatic initiative and gold-standard Germany, in response to domestic bimetallic agitation, agreed to follow any steps toward monetary adjustment taken by Great Britain.²⁰ While obstacles to an international agreement remained, the diplomatic variables had been considerably simplified by these developments.

However, the potential advantages of simplified, bilateral negotiations were complicated by the contentious state of affairs that had emerged between Britain and the United States since 1893. Hard times brought the simmering politics of creditor-debtor relations to a boil within the United States in ways that seemed to transcend national boundaries. Debtors of the American West identified their misery not only with the wire-

¹⁹ "England Holds the Key," *New York Times*, 1 February 1893.

²⁰ Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*. See also, "Bimetallism in Europe," *The National Review* 28, no. 168, (February 1897).

pullers on Wall Street but also with those at the center of global capitalism in Britain.²¹

US monetary diplomacy was complicated further still by the British advance into contested territory between Venezuela and British Guiana and the ensuing Anglo-American diplomatic crisis between 1894 and 1896. Here, in the eyes of many Americans, was the second pincer of transatlantic subjugation, British imperialism.

Looking at these developments through the lens of Victorian globalization under the international gold standard suggests that American sentiments toward British imperialism and toward British financial influence were not entirely unrelated.²² Reports from Venezuela available in the United States at the time, and upon which President Cleveland based much of his outlook, indicated that British encroachment into the disputed territories had begun in earnest only after the discovery of tremendous gold

²¹ "There will be a declaration of war tomorrow," said one spokesmen from the podium at the 1893 Populist Convention. "The force to be outlawed will be the money power and this generalization is designed to include... the capitalists of Europe and well as the money barons of Wall Street." The more extreme publicists of the debtor insurgency popularized a conspiracy theory in which British capitalists had been explicitly involved in silver demonetization in the United States, which had inflicted so much pain on agrarian producers... By 1896, these sentiments were not limited to the fringes of national politics. "It is the issue of 1776 all over again," declared William Jennings Bryan in his famed Democratic Convention speech in Chicago that summer. "Our ancestors, when they were but 3 million, declared their political independence of every other nation on earth. Shall we, when we have grown to 70 million, declare that we are less independent than our forefathers?" Long before the Bryan burst onto the stage of national politics, the repeal of the Silver Purchase Act in late 1893 appeared to confirm, in the eyes of American free-silver Populists, the extensive collusion in defense of the gold standard between American elites and the great capitalist orchestrator, Britain. Whatever good these actions accomplished for the nation's finances, they also set off a wave of popular dissent. These sentiments loomed so large that they threatened the reliable coalitions of the two-party system as no other event had since the breakdown of the Democratic Party which precipitated the Civil War. For the contours of populist thought, see Richard Hofstadter, "Free Silver in the Mind of Coin Harvey," in *The Paranoid Style in American Politics and Other Essays* (New York: Knopf: Distributed by Random House, 1966). For a complete account of the populist movement, see Charles Postel, *The Populist Vision* (Oxford: Oxford University Press, 2007).

²² The links between what contemporaries termed finance capitalism and imperialism were outlined most distinctly by English journalist and economic theorist J.A. Hobson. See, J. A. Hobson, *Imperialism: A Study* (London: George Allen Ltd., 1902). For an assessment of his intellectual contributions, see P.J. Cain, *Hobson and Imperialism: Radicalism, New Liberalism and Finance, 1887-1938* (Oxford: Oxford University Press, 2002).

deposits in the hinterlands surrounding the Orinoco River.²³ As Senator Henry Cabot Lodge observed in the *North American Review*, “The Practical result of the English aggression in Venezuela is plain enough. They are directed at securing control of the Orinoco... and the rich [gold] mining district of the Yururi.”²⁴

Like Lodge, any astute observer of British foreign policy could see in outline the linkages between gold scarcity under the gold standard and British aggrandizement.²⁵ In December 1895, the same month President Cleveland set forth his strident response to the British threat in Venezuela, British officials of the Cape Colony launched the Jameson Raid, a failed attempt to re-annex the Transvaal in Africa. These actions in Africa, which led ultimately to the Second Boer War, were disclaimed by the British government. Nevertheless, the circumstances which set these events in motion appeared very similar to events unfolding in the Caribbean basin. Enormous gold discoveries in the Transvaal in 1886 had set off a gold rush, drawing in many British colonials as prospectors and intensifying talk of re-annexation among the highest officials of Cape Colony. For those contemporaries enmeshed in the currency debates that dominated American politics, one did not have to be an economic nationalist like Lodge, or a radical anti-imperialist, to readily draw the connection between the policies of creditor Britain and the actions of imperial Britain. During the mid-1890s, these two faces of British power further complicated US efforts to establish international bimetallism.

²³ William Lindsay Scruggs, *The Venezuelan Question: British Aggressions in Venezuela, or The Monroe Doctrine on Trial* (Atlanta: Franklin Printing and Publishing Co., 1894).

²⁴ Henry Cabot Lodge, “England, Venezuela, and the Monroe Doctrine,” *North American Review*, June 1895.

²⁵ “Venezuela and the Transvaal,” *New York Times*, 3 January 1896.

Despite these obstacles, by early 1897, US efforts to reach an international monetary accord had been renewed. President McKinley and Republican bimetallic advocates had reason for optimism since opinion – and votes – had moved so distinctly in the direction of bimetallism in Europe. The election of the Conservative Party in Britain, the lynchpin nation in any monetary accord, was especially encouraging. Even before the presidential inauguration, as early as December 1896, Republicans in Congress maneuvered to bring about that international agreement.

The Revival of International Bimetallism in Britain

In early 1893, the optimism expressed three years later by American bimetallic advocates and their British counterparts must have seemed a distant hope. The Brussels Monetary Conference had adjourned without result the previous December, and gold-standard stalwarts on both sides of the Atlantic celebrated the demise of international bimetallism. What gold advocates failed to perceive, however, was that the defeat of bimetallic proposals at Brussels remained rhetorical triumphs alone. The failure of the Brussels Conference, more significantly, left unresolved the ongoing real-world economic depression of trade, industry, and agriculture. As Moreton Frewen wrote in London's *Fortnightly Review* in June 1893, "Had the Brussels Conference last November resulted in making silver legal tender, I believe it is the opinion of every careful student of currency conditions, that prices now everywhere collapsing would already have rallied

and no such catastrophe as the present would have occurred.”²⁶ Given these circumstances, the center of gravity in the bimetallic campaign shifted to Great Britain, where most bimetallic reformers agreed that policy change was key to any further progress.

Between 1893 and 1895, to the surprise of many, the idea of international bimetallicism witnessed an unprecedented burst of popular support and legitimacy in Britain. During this period, it was transformed from proposals of a vocal minority to a well-organized, institutionalized political movement with the power to influence elections and Parliamentary action. In the struggle for an international monetary agreement, many Britons themselves became intensely focused on modifying the monetary position of the British government. This process of political mobilization culminated in the 1895 election and formation of a Conservative Party government, with majorities in the Cabinet and in the House of Commons in favor of international bimetallicism. This reversal of bimetallic fortunes in Britain rested on a number of mutually reinforcing developments: the broad and ongoing economic distress felt in most sectors of the economy, the works of academic economists whose studies helped legitimize bimetallic arguments, and the growth and organization of bimetallic dissent under the Bimetallic League.

Foremost among these was the broad and ongoing economic distress felt in most sectors of the economy. One measure of the of depression in Britain was the number of

²⁶ Moreton Frewen, “Currency Crisis in the United States,” *Fortnightly Review* 53, no. 318 (June 1893): 762–73.

official inquiries established by Parliament to quell dissent and recommend policy during the late-1880s and early-1890s, including the Royal Commission on the Depression of Trade and Industry (1885), the Royal Commission on Gold and Silver (1886), the Indian Currency Commission (1893), and the Royal Commission on the Depression in Agriculture (1893), among others.

By 1893, as the downturn regained intensity and cycles of boom and bust recurred, it became harder to maintain arguments that these were the natural cycles of capitalism to be endured without policy action. As one critic of Liberal Party government on the currency question complained, “It is difficult to understand how the people who call on government to fix the price of land, to regulate the hours of labor, and the conditions of work... It is very difficult to understand how these same people draw the line at the price of silver and the value of gold.”²⁷ These pleas to government, to be sure, came from all sectors. Merchants tied to trade with India complained of the decline in commerce within the empire and agitated for imperial federation. Textile manufacturers and other industrialists complained of the decline of exports outside the Empire and urged the Foreign Office to press for lower tariffs in Europe and the United States. Agricultural producers, small and large, felt increasingly pressed by rising debts and declining prices and petitioned to abandon free trade in favor of protectionism.

To many contemporary observers, the agricultural crisis seemed especially damaging. As historian G.M. Young, a child of the late-Victorian era, emphasized:

²⁷*Report of the Proceedings of the International Bimetallic Conference* (London: E. Wilson & Co., 1894), 28

“After 1877 [wheat] never touched 50 schillings again, it dipped in 1884 below 40; in 1894... the harvest of panic sold at 19 [schillings]... Great wars have been less destructive of wealth than the calamity which stretched from 1879... to 1894.”²⁸ The agricultural crisis was measured not only in material terms but also in terms of social dislocation, hastening the exodus from rural to urban areas of Britain. The novelist Thomas Hardy, observing the outcomes of this process, lamented that “the recent supplanting of the class of stationary cottagers, who carried on the local traditions and humors, by a population of more or less migratory laborers, has led to a break in continuity in local history more fatal than any other thing to the preservation of... close inter-social relations.”²⁹ For these witnesses, signs of economic distress and decline were evident in most sectors of the economy, and yet no consensus had emerged to explain their relationship. As royal commissions deliberated and the House of Commons debated policy solutions, the economic depression outside the halls of Westminster hastened the rapid growth of the bimetallic movement after 1893.

If general economic distress unsettled the consensus about the economic tenets underpinning British policies, the work of academic economists furthered and legitimized the case made by bimetallic advocates about the causes of deflation and its relationship to systemic economic contraction. The intensifying transnational debate over the depression emerged at a turning point in the history of economic thought marked by the ascendancy of quantitative economic studies advanced by the historical school and the

²⁸G. M. Young, *Victorian England: Portrait of an Age* (Oxford: Oxford University Press, 1961), 128.

²⁹ Hardy quoted in Kenneth O. Morgan, ed., *The Oxford History of Britain* (Oxford: Oxford University Press, 1994), 534.

declension and rear-guard defenses of classical liberal economic thought.³⁰ These developments were the natural result of two related processes: the accumulation and increasing accuracy of economic data during the nineteenth century and the professionalization of economics as a social science after mid-century.³¹ In this environment, the works of three economists, in particular, made distinct and significant contributions to the case for bimetallism: Professor Adolph Soetbeer of the University of Gottingen, Professor Francis Walker of the Massachusetts Institute of Technology, and Professor Alfred Marshall of Cambridge.

Among these prominent economists, Professor Soetbeer made the most empirical contribution to the bimetallic case by demonstrating that prices across all sectors of the economy had been affected by deflationary pressures over the long term. His study, *Materials toward the Elucidation of the Economic Conditions Affecting the Precious Metals and the Question of Monetary Standards*, first published in 1885 and updated through 1891, created a year-to-year index of wholesale prices by sector. The data, which encompassed more than 40 years of price information from the Hamburg Board of Trade, showed that prices across all sectors of the economy began to decline in the mid-1870s, regardless of exposure to foreign competition or protection by tariff policies. Though price declines varied in degree by sector, they moved in parallel motion, suggesting that some macroeconomic factor other than competition was at work. For bimetallic advocates, the study clearly suggested that these deflationary pressures were

³⁰ Joseph A. Schumpeter, *History of Economic Analysis* (London: Routledge, 1987), 829-840.

³¹ Dorothy Ross, *The Origins of American Social Science* (Cambridge University Press, 1992), 172-219.

the result of a contracting money supply under the gold standard. As one English bimetallist noted in 1894, “Soetbeer [has] certainly proved to the satisfaction of all statisticians that gold has appreciated or increased in value by 50 percent.”³² The value of Soetbeer’s statistical analysis was also evident to official inquirers into the monetary question. In Britain, his work was included in the Report of the Royal Commission on Gold and Silver and in the United States it was translated as part of report on bimetallic affairs compiled by the State Department in 1887.³³ Soetbeer’s study ended with his death in 1892. Soon after, however, *The Economist* was producing similar historical price indexes regarding the British economy in its annual, *Commercial History and Review of 1893*. There is some irony in Soetbeer’s contribution to the bimetallic cause, given that during the 1860s he had been one of the leading advocates of the adoption of the gold standard by Germany. Nevertheless, by 1894, his work had become an empirical weapon in the hands of British bimetallic advocates.

While Professor Soetbeer revealed the scope of deflationary pressures since the 1870s, American economist Francis A. Walker was among the most prominent figures to make the intellectual argument for the ultimate consequences of these developments on business decisions and the wider economy. Published in 1889, his study, *Money, Trade, and Industry*, presented a detailed case for the linkages between the appreciation of gold under the gold standard, price deflation, and changes in economic output. In the study, Walker concluded that “an appreciation of gold constitutes a truly fearful addition to

³² *International Bimetallic Conference*, 196.

³³ Referred to in Edward Atkinson to Thomas Bayard, 27 August 1887, Edward Atkinson Papers, Carton 12, Folder 6, Massachusetts Historical Society (MHS).

debts, mortgages, and fixed charges of every description. But even this is hardly the worst feature of the situation. Nothing is so discouraging to the merchant and manufacturer as to bring forward goods for a falling market. Declining prices cut into the normal profits of business, check enterprise, and retard the productive investment of capital.”³⁴ In other words, Walker made a demand-side argument that ongoing deflationary pressures made business decisions about investment, employment, and expansion increasingly uncertain because future prices could not be accurately estimated and, therefore, furthered depression across the economy. Walker’s case was embraced by leading British advocates of international bimetallism. Professor H.S. Foxwell of Cambridge declared that Walker’s 1889 study was “perhaps the most compact, instructive, and satisfactory presentation of bimetallic theory.”³⁵ Walker’s argument, by virtue of his esteemed reputation as an economist, was acknowledged even by his monetary opponents. By then Walker was serving as president of the Massachusetts Institute of Technology, was the author of the leading text on political economy in use at Oxford, and an honorary member of the Royal Statistical Society. Walker, through his scholarship, enhanced the case for international bimetallism by detailing the mechanism by which deflation hurt all aspects of economic enterprise.

Professor Alfred Marshall contributed to the bimetallic cause in a more indirect fashion, offering an alternative monetary standard to both gold monometallism and bimetallism. The details of the Marshall proposal, outlined most prominently in his

³⁴ Walker quoted in *International Bimetallic Conference. ...*, London, 1350.

³⁵ H.S. Foxwell quoted in “International Bimetallism: Book Review,” *The Economic Journal*, Vol. 6, No. 23 (Sep., 1896), 447.

testimony before the Royal Commission on Gold and Silver, were extensive and complex. In essence, he proposed the issuance of paper notes against a standard of value composed of both metals. Unlike notes issued under a traditional bimetallic monetary standard, which could be redeemed in either metal, notes under the Marshall proposal would represent equal amounts of silver and gold at a ratio set by law. The Marshall system, in other words, had eliminated the dangerous prospect, in the eyes of gold defenders, of governments redeeming notes in devalued silver rather than gold. Professor Francis Walker, his friend and colleague, described the proposal as “one of the most important contributions to metallic monetary theory made in [this] great debate.”³⁶ Despite Walker’s enthusiasm, the most prominent bimetallic advocates involved in the transnational monetary debate never rallied to Marshall. Nevertheless, Professor Marshall, by virtue of his reputation as the leading English economists of his era, helped legitimize bimetallism by setting forth a plan that acknowledged the flaws in the gold standard system. Marshall never embraced the political movement for bimetallism, confessing to a colleague, “I suppose Nature has cursed me with a cross-bench mind. I am a Bimetallist and a Home-Ruler, and yet on many points I should vote against my own side.”³⁷ His central concern with bimetallism was the ratio at which it might be reintroduced. Despite these personal reservations, Professor Marshall helped legitimize the bimetallic cause in Britain.³⁸

³⁶ Francis Amasa Walker, *International Bimetallism* (New York: Holt, 1896), 206.

³⁷ Alfred Marshall to H.S. Foxwell, 27 January 1895, in *The Correspondence of Alfred Marshall, Volume 2* (Cambridge: Cambridge University Press, 1996).

³⁸ By 1896, Francis Walker could declare that “nearly all the eminent economists of the United Kingdom concede the bimetallic argument... Professor Alfred Marshall of Cambridge has more than once told me

If academic studies helped legitimize the case for international bimetallism, the growth and development of the Bimetallic League helped transform bimetallic arguments against the gold standard into a political force in Britain. By the mid-1890s, the Bimetallic League had become a sophisticated national lobbying organization that represented a diversity of interests. Some historians have associated the League mainly with Manchester interests in cotton manufactures and trade.³⁹ While there can be no doubt of the key role played by Manchester commercial leaders in the development of the Bimetallic League, it is worth noting that the organization had more metropolitan origins and was more metropolitan in character by the mid-1890s than has been acknowledged. By that year, the League was led by its long-time President Henry H. Gibbs, a former Director of the Bank of England. In addition, 10 of the 35 members of the Executive Council represented London, including prominent City figures H.R. Grenfell and Samuel Montagu. The Bimetallic League, by then, also had established offices in London, as well as offices in Manchester, Glasgow, and Birmingham, that organized interests, distributed information, and lobbied generally in favor of international bimetallism.⁴⁰

The origins of the League also were more metropolitan in character, according to bimetallic advocate Henry Chaplin, a wealthy Lincolnshire landowner and agricultural leader in Parliament. Speaking to fellow bimetallists in 1894, he contended that following the failure of the 1881 International Monetary Conference, officials in the India

that, as between bimetallism and gold monometallism, he is a bimetallist," quoted in Francis A. Walker, *Discussions in Economics and Statistics* (Holt, 1899), p. 189

³⁹ For an overview of bimetallism in British domestic politics, see Ted Wilson, *Battles for the Standard: Bimetallism and the Spread of the Gold Standard in the Nineteenth Century* (Aldershot: Ashgate, 2000), 156-183.

⁴⁰ "Bimetallic League," 7 February 1894, *London Times*.

Office met counterparts in the Foreign Office “to see if something could be done in the way of promoting an English Bimetallic Movement.”⁴¹ Representatives of India had been keenly aware of global monetary instability since the 1870s, when the fall of silver disrupted Anglo-Indian trade. “We are desirous, as we have always been, of aiding in the settlement in the silver question by international agreement,” advised the government of India in later correspondence with the Cabinet.⁴² The deliberations of that first meeting led to the creation of the Bimetallic League the following year under the leadership of Henry H. Gibbs.

In Britain, two subsequent milestones helped build the early Bimetallic League from advocates of an obscure policy to a significant political force. The first was the publication of the *Reports of the Royal Commission on Gold and Silver* in 1887 and 1888. As one observer noted, “The unanimous admission, on the part of the Commission, as to the practical efficiency of the [French bimetallic] system from 1803 to 1873 largely removed those sentiments of suspicion and distrust, which had [forestalled] the progress of bimetallism... It could no longer be considered bad form to be a bimetallist.”⁴³ The second milestone was the *Report of the Royal Commission on the Depression in Agriculture* issued in 1894. The Report concluded that the adoption of bimetallism represented an effective remedy to the agricultural crisis.⁴⁴ If these milestones represented important shifts in monetary attitudes in official circles, they also

⁴¹*International Bimetallic Conference. ... , London*, 221.

⁴² Landsdowne to Kimberley, Secretary of State for India in Council, 23 March 1892, Treasury Office, T1/8743A, BNA.

⁴³Walker, *International Bimetallism*, 206.

⁴⁴*Report of the Royal Commission on Agricultural Depression*, 1898.

demonstrated the ways in which the idea of international bimetallism built a coalition of diverse interests. As historian Ewen Green has noted, part of the explanation for this broad coalition is that, as a remedy to the economic crisis, bimetallism, unlike protectionist policies, proposed to lift all prices and therefore could not be discounted as special pleading by one economic interest over another.⁴⁵ The result, by 1894, was a lobbying organization that represented agriculturalists and merchants, industrialists and workers, as well as central bank directors preoccupied with the welfare of the entire system. Along with material economic distress, the logic of bimetallism and the official sanctions of Royal Commissions helped confer legitimacy on the bimetallic idea, expanding the diverse ranks that rallied to the banner of the Bimetallic League.

Even with these contributing factors bolstering the number of English bimetallists, the conversion to the bimetallic standard still faced formidable obstacles in Britain: the influence of private banking interests upon the government as well as the stalwart defense of the gold standard in the policy actions of the Gladstone government. First among these bulwarks to bimetallic advances was the ongoing and considerable influence of the financial sector on policymakers in government. By the 1890s, the private investment houses in the City of London had experienced remarkable growth in the scale and scope of their operations since mid-century.⁴⁶ Whereas prior to this period the scope of investment largely involved financing government, domestic industries, and trade enterprises tied to the major port cities, the period beginning at mid-century was

⁴⁵E. H. H. Green, *The Crisis of Conservatism: The Politics, Economics and Ideology of the Conservative Party, 1880-1914* (London: Routledge, 1996), 43.

⁴⁶P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion, 1688-1914* (London: Longman, 1993), 181-201.

marked by the unprecedented expansion of overseas investment both inside and outside the empire. British capital funded the construction of railroads in India and the American West, the building of sophisticated port facilities in South America and other regions in which the value of raw materials drew the attention of the English investor classes. Two results of this process were the growth of City investment houses generally and, as importantly, the growth of financial sector income as a percentage of the national economy. Between 1870 and 1914, approximately one-third of all British capital was invested overseas, with periods of great surges including one between 1886 and 1890.⁴⁷ As a percentage of British national income, returns from overseas investments more than doubled between 1861 and 1901 and the size of the service sector grew from 7 to 10 percent of the national economy during the same period.⁴⁸ The institutional expansion and political influence of London investment houses paralleled these distinct changes.

As the financial sector took on outsized proportions, it became increasingly important to government both as underwriter of the national debt and as an instrument of foreign policy. Tory Prime Minister Benjamin Disraeli's purchase of a controlling interest in the Suez Canal Company in the mid-1870s, made possible by close ties to London investment houses, represented one early example of this growing relationship. Despite the Disraeli coup, City financiers generally aligned with, and channeled influence through, the Liberal Party. As one part of the growing professional classes, bankers generally identified with the Liberal Party, whose aspirations for efficient bourgeois

⁴⁷ For these figures, see Peter Mathias, *The First Industrial Nation: An Economic History of Britain, 1700-1914*, 2nd ed. (New York: Methuen, 1983), 298.

⁴⁸ For these figures, see Roderick Floud and Deirdre N. McCloskey, eds., *The Economic History of Britain Since 1700*, vol. 2 (Cambridge [Eng.] ; New York: Cambridge University Press, 1981), 141.

government aligned with their own. The influence of the financial sector rose after mid-century, paralleling the ascendancy of the Liberal Party under Palmerston and Gladstone.

The growth and importance of City wealth also introduced significant social transformations. The financiers of the City were never the most middling of the middling professions in Victorian Britain, yet the relative growth of their fortunes represented something like the rise of a new financial aristocracy. The dance between the new rich and the old rich of the landed aristocracy was characterized less by confrontation and more by a sustained fusion of views and interests after mid-century. Influence moved both ways in this social process. Aristocrats increasingly invested their accumulated capital with City men, drawing their economic interests into alignment. Bankers, with their new fortunes, snapped up country estates and married into titled families, adopting the social norms and attitudes of the old landed barons. These patterns were evident enough by the mid-1870s that Anthony Trollope could ably satirize these social changes to great acclaim in his novel, *The Way We Live Now*. The growth of the financial sector and the social ascendancy of its leading figures had, by the mid-1890s, produced a consensus among the governing elites of both parties that favored the interests of the financial sector. The change was so evident by century's end that John Hobson and other critics argued that government was the instrument of City finance, and not the other way around as it had been for Disraeli only a few years prior.⁴⁹

By the mid-1890s, as the economic depression called into question the viability of the gold standard, the matter of influencing government toward City preferences on the

⁴⁹ Cain, *Hobson and Imperialism*, 81-124.

monetary question was not difficult. For City men, it often involved talking to themselves since by then many financiers sat as members of Parliament, served in high office, and led most government economic inquiries. Nevertheless, the growing support for bimetallism after 1893 challenged these patterns of influence and placed stalwart defenders of City interests on the defensive. In response to bimetallic successes in 1895, prominent financiers formed the Gold Standard Defence Association, a lobbying organization that hoped to match the Bimetallic League. Unlike the Bimetallic League, however, the Gold Standard Defence Association represented the singular interests of City finance, creditors of Britain and the world. The City's influence on government policy had increased markedly since mid-century and now the movement for international bimetallism inside Britain would put that power to the test.

While City of London bankers made use of their government ties to halt the bimetallic campaign, the actions of the Liberal Party government between 1892 and 1895 gave official form to those efforts. Foremost among these efforts were the rhetorical defense of the gold standard led by leading Liberal Party figures, the limitations placed on British delegates to the Brussels Monetary Conference, and finally the decision in 1893 to close the mints of India to silver coinage in preparation for the establishing an Indian gold standard.

During this period, leading Liberals, including Prime Minister Gladstone, Chancellor of the Exchequer Sir William Harcourt, and former Board of Trade president Sir Thomas Farrer, mounted a stout rhetorical defense of gold-standard principles. In Parliament, Gladstone readily defended the gold standard in terms of British creditors.

The old Liberal leader, by then 83 and the oldest serving Prime Minister, was less a tool of City interests than a utopian relic of mid-century liberalism. In the 1850s, at the apex of British economic affluence and prestige, it was hard not to imagine, as he did, that the world would progress forward toward higher and higher stages of civilization under the influence of liberal economic principles championed by Britain: *laissez-faire* government, free trade, and the gold standard. What remained harder to see was the extent to which private business enterprises and financial institutions would grow to such unprecedented sizes in the next half-century; to sizes that rivaled and influenced government at home and abroad. In early 1893, while blocking a measure in the Commons to reconvene the Brussels Monetary Conference, the Prime Minister “made an elaborate exposition of the benefits of monometallism and the dangers of bimetallism.”⁵⁰ Remarking on this speech, Professor Walker observed: “The monometallists [have] long been accustomed to urge, as an argument for their case, the large premiums [current monetary conditions] enabled England to collect... In his speech to the House of Commons, Mr. Gladstone offered this as a leading argument against the restoration of bimetallism.”⁵¹ If defenses of the gold standard by Gladstone, such as these, owed little to City influence, the arguments put forward nevertheless mirrored the case made by the Gold Standard Defence Association. Bimetallic policies, as one Association pamphlet argued, were “tools edged with repudiation.”⁵² The appreciation of gold was not a violation of the creditor-debtor relationship, in Association eyes, though the depreciation

⁵⁰ “Parliament Discusses the Monetary Conference,” *New York Times*, 1 March 1893.

⁵¹ Walker, *International Bimetallism*, 216.

⁵² George Peel quoted in Gold Standard Defence Association, *The Gold Standard: a Selection from the Papers* (London: Cassell, 1898), ix.

of gold that might follow monetary expansion under a bimetallic system represented nothing less than the severe alteration of legal contracts. If we allow bimetallism, said another gold stalwart, “what difference is there in principle between a contract in [our country] and a contract in some South American republic?”⁵³

This rhetorical defense of the gold standard by the Liberal Party was matched by policy decisions in the same direction. The two most important decisions of the Gladstone government, in this regard, were the limitations placed on British delegates to the Brussels Conference in 1892 and the decision to close the mints of India to silver in 1893. In 1892, the conference had been convened by the United States in coordination with the Conservative Party government that preceded the Gladstone ministry, but did not take place until after the new Liberal Party government had formed. As detailed in the previous chapter, the choice of gold-stalwarts as delegates and the limits placed upon those delegates to find a compromise agreement likely doomed the efforts at Brussels even before deliberations began.⁵⁴ In June the following year, after declining to reconvene the Brussels Conference in light of deepening global economic problems, the Gladstone government closed the Indian mints to the public coinage of silver in preparation for the eventual establishment of an Indian gold standard. They did so upon the recommendation of the Indian Currency Commission, an inquiry authorized by Parliament and led by Lord Herschell, a London politician who had loyally served Gladstone in past administrations and by then served as Lord Chancellor. Yet the Liberal

⁵³ Ibid, 110.

⁵⁴ Instructions to British Delegates, 9 November 1892, TO, T1/8437A, BNA.

Party government took these steps in the face of repeated pleas from inside and outside government to reach an international agreement on silver money. Taken together, Liberal Party actions placed significant obstacles in the way of the policy changes contemplated by British bimetallic advocates.

Despite the entrenched sentiments favoring the gold standard inside and outside government, the ranks of those calling for bimetallism in Britain seemed to increase unchecked during the early 1890s. Certainly some of this growth can be counted as reactions to Liberal Party actions just outlined. Often times in political debate nothing radicalizes minority opinion more than the deprecating intransigence of the majority. Allowing for the importance of these dynamics, there are, nevertheless, significant accomplishments toward international bimetallism that should be attributed to the work of bimetallic advocates. These include the conversion of key financial conservatives to the cause of international bimetallism, the worldwide interest in the International Bimetallic Conference of 1894 held in London, as well as the role bimetallism played in the electoral victories of the Conservative Party in late-1895.

Declarations of allegiance to international bimetallism by a series of prominent financial conservatives aided the bimetallic campaign, drawing press attention and legitimizing bimetallic ideas in the eyes of the British public. During this period, three such conversions from gold standard conservatism to bimetallic advocacy stood above the rest: Leonard Courtney, William Lidderdale, and Arthur James Balfour. The conversion to bimetallism of Courtney, a Liberal Unionist MP and former professor of political economy at University College London, was notable because he had signed the

majority report issued by the Royal Commission on Gold and Silver in defense of the gold standard in 1887. Courtney's shift by early 1893 meant that a majority of Commission members now endorsed the recommendations of the Commission's minority report favoring international bimetallism.⁵⁵

The most significant conversion, in terms of influencing City opinion on the monetary question, was that of William Lidderdale, former Governor of the Bank of England. Lidderdale possessed a reputation of heroic proportions among City bankers for rescuing Baring Brothers and Company in 1890 and preventing a wider financial panic that year. The seeds of his bimetallic conversion may have been planted in the crisis itself during which the insufficiency of Bank of England gold reserves forced the Governor to arrange the Barings rescue with a combination of funds from London, Paris, and New York. The lesson for central bankers such as Lidderdale likely seemed obvious: the scale of investment operations compared with the amount of specie reserves held by the Bank of England were making the system of international finance increasingly difficult to manage safely. In May 1895, Lidderdale chaired a panel on international bimetallism and by June of that year he was one of the signatories of the Bimetallic League petition urging the government to renew bimetallic diplomacy. Speaking of the gold standard, Lidderdale argued that the increasing problems of debtors were also the problem of creditors: "It is strange that England, which had advanced so much capital to foreign countries, and to her own colonies, all dependent on the value of their products for the means by which they can pay their debts, should still so persistently, and

⁵⁵ *International Bimetallic Conference. ...*, London, 71-85.

apparently so blindly, support a financial policy calculated to render it difficult for her debtors to keep faith.”⁵⁶ If his conversion to bimetallism shifted opinion in London, it drew less favorable attention from gold stalwarts as far away as New York. There, one editor asked, “Can you, my readers, imagine any language more atrocious than these words from that wild-eyed anarchist, Mr. Lidderdale?”⁵⁷

While the conversion of so prominent a central banker bolstered the case for bimetallism in financial circles, the transfer of monetary allegiance by Arthur James Balfour, leader of the Conservative Party opposition in Parliament, popularized the bimetallic cause in the broader political debate more than any other single development during this period. By 1893, Balfour had advanced his career in parallel with the Conservative Party ascendancy beginning under Benjamin Disraeli and continuing under Balfour’s uncle, Lord Salisbury. Balfour had served on the Royal Commission on Gold and Silver, siding with the minority in 1887, and as First Lord of the Treasury. It was not until late 1893, however, that Balfour joined the political fray on the side of international bimetallism. In August 1893, speaking to a City of London audience gathered at the Lord Mayor’s official residence, Balfour declared for a change in government policy.

Balfour’s speech made a deep impression on the transnational monetary debate both by virtue of his reputation and for the substance of his arguments in favor of international bimetallism. From New York, one gold-standard journal conceded: “The advocacy of bimetallism of so eminent a man as Mr. Balfour, and one whose reputation

⁵⁶ William Lidderdale quoted in “Impending Monetary Conference,” *Otago Daily Times*, 12 March 1895.

⁵⁷ *The Arena*, September 1896, reprinted in Benjamin Orange Flower, ed., *The Arena* (Boston: Arena Publishing Company, 1896), 701.

as a thinker is justly so high, [may] give a regrettable impulse toward what we are convinced is an illusory scheme.”⁵⁸ The power of the speech, however, also rested on the plain and persuasive arguments for international bimetallism made by a savvy and experienced politician. While other bimetallic advocates often argued the merits in economic jargon, Balfour repeatedly emphasized the urgency of the monetary crisis and the common sense which underpinned the case for bimetallism. “I had felt – as many other people now feel – whatever their views on this question may be, that we are brought face to face with currency problems in a manner which we cannot avoid.”⁵⁹ On substance Balfour rehearsed bimetallic arguments for the greater stability under the bimetallic system: “What is it we ask of legal tender? We ask, in the first place, that it should be a stable measure of value... Stability is the ideal.” He continued, contending that reliance on a single metal under the gold standard led to greater monetary instability in value. Balfour cited three sources of pressure on gold currency: changing levels of gold production, increased demands on currency based on increases in economic growth, and changing legislation governing the currency of each nation. Arguing for the way bimetallism improves upon a single gold standard, he said: “If you have a double standard. If, in other words, you can count for your standard of value not merely upon the gold supply of the world, but on the gold supply *plus* the silver supply – it is evident that any single cause of [instability] is diminished because it is spread over a wider area.” While arguments such as these were common in the rhetoric of bimetallism, Balfour

⁵⁸ “Mr. Balfour’s Bimetallism,” *New York Times*, 6 August 1893.

⁵⁹ *London Times*, 4 August 1893.

made a unique appeal for bimetallism on grounds of geopolitical security. Speaking in terms likely influenced by the gold shortages of the Baring Crisis, Balfour warned that the gold standard could be held hostage by enemies of Britain:

What I want to call your attention to is this system of a single reserve, a gold reserve, does absolutely require that at any moment the Bank of England should be able to get what gold it wants [in order to make specie payments]... Now, are you sure that under all circumstances – all circumstances of international feeling – that it would be easy or even possible for the gold reserve to be increased? Is it not true at the present moment those that have command over the great gold reserves of the Continent are the governments of the Continent? We in this country are not accustomed to allow our government to interfere to any great extent in our commercial affairs. But am I not right in saying that at the present moment the great military powers of the Continent have [control] over their gold reserves? ⁶⁰

The Balfour case for bimetallism rested, therefore, on its economic logic and on its geopolitical logic. In the Egyptian Hall of the Lord Mayor's residence the speech was greeted with warm applause by a crowd of prominent bankers and statesmen, including US Ambassador Thomas F. Bayard and American bimetallist Samuel Dana Horton. One bimetallist declared the speech "the clearest and most telling statement upon the currency question that I have met with."⁶¹ Outside the hall, stalwart gold-standard journals such as the *Saturday Review* were less enthusiastic, deprecating Balfour's "uncompromising style" and euphemistically comparing his proposal to the "paper money of Khubla Khan."⁶² Despite such rhetorical broadsides, the joining of battle by one of the most

⁶⁰ Ibid.

⁶¹ Archbishop of Dublin, William J. Walsh quoted in Ibid.

⁶² "Mr. Balfour on Currency," *Saturday Review* 76, no. 1971 (August 5, 1893): 149–50.

prominent British statesmen conferred legitimacy on the campaign for international bimetallism.

Balfour's bimetallic conversion, along with those of other leading bankers and politicians, were measures of the progress bimetallic sentiment was making in a monetary debate that appeared increasingly crucial to the future prosperity of Britain and her Empire. The International Bimetallic Conference of 1894 organized by the Bimetallic League represented another measure of that progress, demonstrating the extent to which the idea of bimetallism had moved beyond policy elites to popular politics in Great Britain.

The significance of the International Bimetallic Conference rested less on new evidence or rhetorical arguments introduced by delegates and more on the degree of interest the proceedings generated among participants inside the hall and opponents outside. Both were measures of the growing bimetallic coalition and the increasing organizational strength of the Bimetallic League in Britain. Delegations to the conference held in London that May demonstrated that growth, representing a diversity of economic interests and geographic regions. Among Britons, attendees included trade unionists and agricultural leaders, titled estate holders such as the Duke of Norfolk as well as City bankers. Delegations traveled from regions near and far, from Adelaide, Australia to Vienna, Austria, a sign that the transnational debate on the money question had global economic implications.

Another measure of the growing acceptance of the bimetallic idea was the attendance of high office-holders. From Britain, leaders in Parliament Arthur J. Balfour,

Sir William Houldsworth, and Henry Chaplin were accompanied by more than 60 colleagues. From the Continent came the Director of the Belgium Mint, the Governor of the Bank of the Netherlands, and members of the Prussian assembly, among others. Though the United States did not send private or official delegates, Republican Senators, including John Sherman, William B. Allison, and Henry Cabot Lodge, signaled their support by telegram: “We desire to express our cordial sympathy with the movement to promote the restoration of silver by international agreement,” declared their message read aloud during the opening of the conference. Such an agreement, the cable continued, “would secure to mankind a sufficient volume of metallic money and, what is hardly less important, would secure to the world of trade immunity from violent exchange fluctuations.”⁶³ The support from American officials was greeted with loud cheers, according to reports. Similar declarations arrived from the President of the French Senate and the Governor of the Bank of France. Over two days, the delegates heard papers from university economists on the feasibility of bimetallism, from Indian officials on effect of the appreciation of gold on the debts of that government, as well as speeches from bimetallic politicians on the urgency of the matter.⁶⁴ As the conference concluded, London gold-standard journals launched rhetorical broadsides, describing bimetallic proposals as absurd or ineffectual.⁶⁵

⁶³ *International Bimetallic Conference. ...*, London, 18.

⁶⁴ See, for example, Balfour’s address to the conference: “I think that bimetallism is a possible system, the joint standard perhaps [we] ought to call it. I think in the second place that we are morally justified as a nation in adopting it. And I think in the third place that every reason of expediency ought to urge us to come into international agreement with the other great commercial peoples of the world.” Ibid, 70.

⁶⁵ The *London Daily Mail* and the *Morning Post* are quoted in this regard in “The Bimetallic Conference,” *New York Times*, May 3, 1894.

Though the International Bimetallic Conference covered little new ground, it did have important consequences. Among opponents in Britain, it hastened the creation of the Gold Standard Defence Association, which attributed its own creation to the growing power of the Bimetallic League:

Those who favored the unlimited coinage of silver were at that date full of hope they had possessed for many years an active organization in the Bimetallic League, they had recently collected a large fund of money, and they could reckon many names of distinction among the list of their supporters. Hitherto no step had been taken to counteract this movement.⁶⁶

The conference also had enlivening effects on the bimetallic campaign in Britain and abroad. Continental representatives formed sister organizations, including the Bimetallic League of France and the Bimetallic League of Germany. Within national politics the diverse array of bimetallic supporters represented at the conference prefigured the growing coalition that would return the Conservative Party government to power in late 1895.⁶⁷

Between 1892 and 1896, the idea of international bimetallism was transformed in Great Britain from an idea disdained as economic heresy to the basis for sustained pressure in Parliament for an international monetary agreement. These developments, which culminated in March 1896 with the resolution in favor of an international agreement passed by the House of Commons, resulted from a confluence of factors: ongoing economic distress, the conversion to bimetallism by prominent economists and politicians, and the growing organizational strength of the Bimetallic League

⁶⁶ *The Gold Standard*, vii.

⁶⁷ Bimetallism was an important contributor to the Conservative Party electoral triumph in 1895, especially in districts representing agricultural interests. For details, see Green, *The Crisis of Conservatism*, 114.

demonstrated by the 1894 Conference. The unofficial diplomacy of American bimetallic advocates also played a role in the shift. Economist Francis A. Walker and publicist Samuel Dana Horton, for example, both journeyed to England on multiple occasions to advocate for international bimetallism. During this period, both men were confidants to British counterparts in the Bimetallic League, who acknowledged the role of American efforts. “The best thanks of the Committee were unanimously passed to you for the very great additional service you have rendered to the cause of silver monetization,” wrote League General Secretary Henry McNeil to Horton on one occasion.⁶⁸ By 1896, these factors produced a distinct shift toward bimetallism in Britain, giving supporters of international bimetallism reasonable hope for future British action. The entering Conservative Party government of Lord Salisbury had so many acknowledged bimetallists that one London journal referred to the new government as “the bimetallic cabinet.”⁶⁹ Following these developments in Britain, the diplomacy among nations for an international monetary agreement entered a new phase.

Monetary Relations, Financial Collapse, and the Rise of Anglo-American Antagonism

Money is pure science, and politics more or less pure art.

– Manton Marble to Grover Cleveland, 1893⁷⁰

⁶⁸ McNeil to Horton, 13 May 1891, *George Hoar Papers*, Box 28, Massachusetts Historical Society.

⁶⁹ W. R. Lawson, “Sinking Silver,” *The Contemporary Review* 72 (September 1897): 355–67.

⁷⁰ Marble to Cleveland, 12 Feb 1893, Cleveland Papers, LOC Manuscript Division, Reel 73, Series 2.

In the early 1890s, Americans faced similar economic developments as did Britain. There, the problems of price deflation and the depression of commerce built a broad and growing political coalition behind international bimetallism. In the United States, strangely, similar macroeconomic developments produced very different political outcomes. This divergence, to a large degree, can be attributed to differences in political economy. In Britain, where the prospect of the bimetallic standard did not threaten the gold specie payments by the government or divide agricultural producers from metropolitan interests seeking to revive international trade, a diversity of interests increasingly came together.

In the United States, however, where credit still depended on overseas capital markets, the question of bimetallism divided interests. In the West, agricultural producers distressed by falling prices called for the unilateral restoration of silver currency as a means to combat price deflation. In the East, politicians, monetary experts, and many business leaders advocated international bimetallism as a means to relieve the monetary constraints imposed on trade and investment by the gold standard. Both sides understood that the United States, despite remarkable growth and industrial expansion, remained deeply dependent on British finance during the era of Victorian globalization. As one leading American policymaker noted, “We will be wise if we temper our confidence in our national strength and resources with the frank concession that even these will not permit us to defy with impunity the inexorable laws of finance and trade.”⁷¹

⁷¹ Grover Cleveland, *Letters and Addresses of Grover Cleveland* (New York: Unit Book Publishing, 1909), 348.

From the early 1880s into the 1890s, European capital inflows to the United States equaled more than \$1.7 billion, the percentage of which coming from Britain averaged between 74.5 and 80.5 percent year to year.⁷² One side viewed these economic connections as vestigial chains of colonial subjugation, while the other understood these ties as crucial to the future prosperity of the United States. Former bimetallic diplomat Edward Atkinson represented the latter view. In the *North American Review*, he reminded opponents that “sixty percent of our exports, consisting in far by the largest measure of farm products, are bought upon a gold basis by Great Britain.”⁷³ These economic realities imposed by globalization profoundly shaped the national debate over monetary policy that defined the decade in the United States. By virtue of its position in the world economy, Americans became increasingly divided over the question of international bimetallism.

The realities of globalization also made adherence to conservative financial principles a *sine qua non* for national political leadership in the still developing republic. So it was, in spring 1893, that an exemplar of financial probity, Democrat Grover Cleveland, ascended again to the presidency. Cleveland, since serving as governor of New York, had gained a reputation both as a reformer and as a financial conservative. His expressions of “agreement with those who believe that the greatest peril would be invited by the adoption of the scheme for the unlimited coinage of silver” had figured

⁷² See, for these data, Lance E. Davis and Robert J. Cull, “International Capital Movements, Domestic Capital Markets, and Economic Growth, 1820-1914” in *Cambridge Economic History of the United States*, vol. 2 (Cambridge: Cambridge University Press, 2000), 733-812.

⁷³ Edward Atkinson, “The Increased Production of Gold,” *North American Review*, February 1896.

strongly in his nomination for president in 1892.⁷⁴ Sound money sounded good to like-minded party managers and financiers. On economic questions in general, Cleveland aligned himself with the tenets of mid-century economic liberalism: free trade, *laissez-faire* government, and the gold-standard. As the century progressed, however, these same ideas were more often deployed in public debate in defense of big business and big finance than in defense of a virtuous circle of self-interested producers envisioned by Adam Smith. These shifts in outlook were embodied in the career choices of the once and future president. Between terms, Cleveland chose to work as a corporate lawyer at a prominent New York City firm, where he mixed more frequently with the titans of American capitalism than with the small producers of his native Buffalo. By the 1890s, as rapid economic development and industrial growth strained governing institutions and divided society into rival economic camps, Cleveland identified increasingly with the financial conservatives of American business and finance. The election of Cleveland in 1892, therefore, was unsurprisingly met with enthusiasm and relief among men of commercial affairs. “The general effect on business throughout the country will be excellent,” declared one prominent New York banker. “Mr. Cleveland will have at his side men of the same high standing as those who were with him before. Wall Street and the country know them well. For these reasons... it is very gratifying that the [electoral] decision was what it was.”⁷⁵ Cleveland, it seemed clear, would protect and defend the

⁷⁴ Cleveland to Anderson, 10 February 1891, quote in Cleveland, *Letters and Addresses of Grover Cleveland*.

⁷⁵ “Business Men Gratified,” *New York Times*, 10 November 1892.

principles of financial conservatism that underpinned domestic commerce and international trade as he returned to high office.

By March 1893, however, the new president would confront a complex and interrelated set of economic difficulties. Enthusiastic approbation from Wall Street only masked signs of growing instability in the American economy that had emerged as early as 1890. Increasing worldwide demand for monetary gold and the exodus of foreign capital threatened Wall Street financial operations essential to capital-intensive railroads and industrial firms. By 1892, American farmers, like their British counterparts, confronted falling prices for agricultural commodities. Despite briefly being buoyed by European crop failures, producers faced global competition and monetary policy changes that made debt obligations increasingly difficult to meet. In May 1893, these macroeconomic sources of instability combined to undo the American economy, unleashing a financial panic that produced a devastating and lengthy economic depression. The Panic of 1893, as the scale and scope of economic distress became clear, made President Grover Cleveland perhaps the unluckiest new president since James Buchanan. For that Democratic President, the Dred Scott decision ended all hopes of sectional accord in the first weeks of his administration. For Cleveland, the economic crisis that spring similarly promised a term marked by sectional animosities and disintegrating political coalitions.

As difficult as the political environment became for Cleveland, the material losses faced by everyday Americans were clearly more distressing. By the end of May, the financial panic on Wall Street had become a run on banks across the country, as

depositors tried to withdraw savings, which in many cases no longer existed. By August, 44 national banks had failed, leaving over \$271 million in liabilities. The contagion spread to the broader economy with the most capital-intensive industries failing first. In 1893 alone, 119 railroads declared bankruptcy, including the Erie and the Union Pacific. According to one estimate, \$836 million in stock values and \$1.16 billion in bond values were lost as a result of these failures.⁷⁶ The downward trajectory of the economy reached its low in 1894, with the output of the US economy down 20 to 25 percent from pre-collapse levels. The shuttering of industry was attended by the expected social upheavals in America's growing cities: unemployment, hunger, and homelessness. To contemporaries, however, the discontent of the unemployed during this downturn seemed unprecedented. As Henry Adams noted on his return from abroad, "Men died like flies under the strain, and Boston grew suddenly old, haggard, and thin."⁷⁷ By 1894, such discontents were quickly transformed into political actions. Coxey's army of the unemployed marched on Washington demanding public works programs. The Pullman strike, which for a time halted nearly all railroad traffic in the West, involved 250,000 workers in 27 states. These desperate actions and the anxious responses of the propertied classes together provided some measure of the emotional disjuncture unleashed by the financial collapse and economic depression. In the *North American Review*, steel magnate Andrew Carnegie estimated the destruction of the panic: "It is doubtful if a more

⁷⁶ Figures found in Steeples, *Democracy in Desperation*, 33-37.

⁷⁷ Henry Adams, *The Education of Henry Adams* (New York: Everyman, 1946), 338.

disastrous financial cyclone ever blasted a country to such an extent in so short a time.”⁷⁸

During the four-year depression, the material losses were so dramatic that many Americans began to question not just the conditions which brought about the financial panic but also the conservative financial principles that underpinned these perennial cycles of boom and bust.

Even before the financial panic occurred, the incoming Cleveland administration contemplated an array of measures to strengthen the economy. As early as December 1892, the president-elect corresponded with prominent economists, editors, and business leaders, sounding out proposals to reduce the high duties of the McKinley Tariff and to halt the decline of national gold reserves.⁷⁹ Among these, the most immediate threat to economic stability was the continued drain of monetary gold from the US Treasury. Since 1890, US gold reserves had been diminishing for a number of reasons, including excessive spending by Congress, the further spread of the gold standard to more countries, statutory government purchases of silver, and by changes in patterns of investment after the near collapse of the London investment house Baring Brothers. In early 1890, the rescue of Barings by the Bank of England led European central banks to hoard gold and led European investment houses to increase gold reserves against total outstanding loans. These changes provided a measure of safety to European financial institutions but made tenuous the position of investment-hungry regions such as the

⁷⁸ Andrew Carnegie, “The Silver Problem: A Word to Wage-Earners,” *The North American Review*, September 1893.

⁷⁹ Letters to Cleveland in personal correspondence and in public editorials included Edward Atkinson, Manton Marble, William C. Whitney, Andrew Carnegie, J.P. Morgan, and Jacob Schiff. See, for example, Marble to Cleveland, 12 February 1893, *Grover Cleveland Papers*, LOC, Reel 73, Series 2.

United States. Declining national reserves raised the possibility that the United States soon would be unable to pay its obligations. Such an outcome would damage the public credit of the United States and impair the ability of the government to borrow, especially from the money markets of London.

Sharing the assessment of Wall Street, President Cleveland focused first on the repeal of the Sherman Silver Purchase Act. The Sherman Act, passed by Congress in 1890 to placate free silver factions in the Republican Party, required the government to purchase 4.5 million ounces of silver each month in exchange for gold. “From my own experience,” wrote Andrew Carnegie to the President regarding the consequences of the Sherman Act, “I can tell you that foreigners had taken alarm and had begun to withdraw their capital in gold.”⁸⁰ The Sherman Act was not the singular cause of the gold drain during this period, but its repeal promised to send a clear signal to capital markets at home and abroad that the incoming administration was determined to maintain conservative financial principles. Prominent banker Jacob H. Schiff told Cleveland that repeal was “the only measure which will restore confidence at home and abroad.”⁸¹ The new president needed little encouragement in this line of thinking. By early 1893, he had concluded that the continuance of the Sherman Act “undoubtedly endangers the prosperity of the country.”⁸² Like Schiff, President Cleveland underscored the importance of the message such action sent to European capital markets: “I want [our currency] to be of such a character that will demonstrate abroad our wisdom and good

⁸⁰ Carnegie to Cleveland, 22 April 1893, quoted in Allan Nevins, ed., *Letters of Grover Cleveland* (New York: Da Capo Press, 1970), 378.

⁸¹ Schiff to Cleveland, 29 Aug 1893, *Ibid*, 332.

⁸² Cleveland to Carlisle, 22 Jan 1893, *Ibid*, 314.

faith.”⁸³ In his inaugural address, Cleveland again emphasized these sentiments in public. The speech was brief, perhaps made more so because of the damp weather and blustering winds that hung over Washington that day. Nevertheless, it made clear that the defense of the public credit of the United States was the first priority of the new president because continued borrowing was necessary to maintain specie payments under the gold standard.

Despite the urgency raised by the financial panic and the steady decline of national gold reserves, the repeal of the Sherman Silver Purchase Act involved a prolonged political struggle. That spring, the sitting Congress failed to act, leaving President Cleveland and Secretary of the Treasury John G. Carlisle to maintain specie payments of US debts by issuing new government bonds, purchased mainly by investment houses in New York and London. Meanwhile, in the public debate over repeal of the Sherman Act, free silver monetary expansionists and sound money financial conservatives staked out positions that shared no common ground. By August, Cleveland called Congress into special session and skillfully maneuvered the Repeal Bill through both chambers. Despite internal divisions in the Democratic House and partisan obstruction in the Republican Senate, Congress eventually passed the Repeal Bill in late October. Part of Cleveland’s accomplishment can be attributed to his skillful handling of internal party politics; he withheld patronage appointments from wayward Congressional Democrats until his votes were secured.⁸⁴ The success of repeal, however, also rested on

⁸³ Cleveland to W. J. Northern, 22 September 1893, Ibid, 335.

⁸⁴ Richard E. Welch, *The Presidencies of Grover Cleveland* (Kansas University Press, 1988), 122-123.

the growing pressures placed on Republicans in Congress by leading editors, prominent businessmen, and advocates of international bimetallism. Financial conservatives argued for repeal as a measure to restore investor confidence. A canvas of leading bankers by the *New York Times* concluded: “Among financial and business men there is practically no dissent from the opinion that Mr. Cleveland’s announcement [urging repeal of the Sherman Act] would have a reassuring effect upon business.”⁸⁵ Republican advocates of international bimetallism supported Cleveland because he had adopted one of the central bimetallic arguments in the fight for repeal. Bimetallists such as Francis A. Walker and Samuel Dana Horton had long advocated repeal of the Sherman Act on grounds that it strengthened the negotiating position of the United States in monetary diplomacy with Europe. Speaking of international bimetallism in his message to Congress, Cleveland argued that “the United States will not be in a position to gain a hearing in favor of such an arrangement so long as we are willing to attempt to accomplish the [remonetization of silver] single-handed.”⁸⁶ Such declarations assured financial interests in New York and across the Atlantic. In the City of London, financial conservatives and bimetallic advocates alike welcomed Cleveland’s words. The financially conservative *Saturday Review* hailed the president’s message as “one of the most luminous and convincing state papers we have seen.”⁸⁷ Another London journal more sympathetic to the bimetallic cause noted that “[Henry] Chaplin’s and [Arthur] Balfour’s arguments [for international

⁸⁵ “Its Effect Already Felt,” *New York Times*, 7 June 1893.

⁸⁶ Cleveland Special Session Message to Congress, 8 August 1893, quoted in James Daniel Richardson, ed., *A Compilation of the Messages and Papers of the Presidents* (Bureau of National Literature, 1897), 5826.

⁸⁷ “President Cleveland’s Message,” *Saturday Review* 76, no. 1972 (August 12, 1893): 177–78.

bimetallism] are practically answered from the other side of the Atlantic.”⁸⁸ In the United States, support from these parallel interests, along with skillful political maneuvering, secured the subsequent victory won by Cleveland with the repeal of the Sherman Act. Repeal returned the United States to the gold standard and improved the odds of a future international monetary agreement with Europe.

Cleveland’s triumph, nevertheless, came with a political price. While financial conservatives proclaimed the resolute president the savior of American capitalism, the losers in the struggle over the money question displayed less sympathy. Agricultural interests in the American West became increasingly radicalized, raising the specter of political insurgency and jeopardizing the future of the Democratic Party. The Populist Party had already formed around a nucleus of economic grievances in 1892, but between 1893 and 1896, the repeal of the Sherman Silver Purchase Act – along with bond issues that profited J.P. Morgan and other leading bankers – seemed to demonstrate the complete influence of Wall Street over Washington, elevating the free silver crusade from routine depression-era discontent into a larger, more organized movement with a decisive role to play in presidential politics.

The discontent of western agricultural producers, however, represented more than a sectional struggle that threatened electoral fortunes in American politics. Free silver adherents in the American West directed their outrage not only at Eastern finance but also

⁸⁸ “The English Press,” *Los Angeles Times* (1886-1922), 10 August 1893.

at Britain and her global economic influence.⁸⁹ Indebted westerners constructed the campaign for free silver as a struggle for economic independence from the constraints of the British commercial system. “[An] attempt is now being made by Great Britain and the monometallic monarchies of Europe to coerce the American continent into financial dependency,” warned one free silver speaker from the hustings.⁹⁰ The affirmative case made by free silver advocates contended that the remonetization of silver by the United States would provide inflationary relief at home and open new markets for American producers in Asia and the Americas, where most countries still maintained a silver currency. Free silver, in this sense, promised to curb the influence of British finance within the United States, break American reliance on British markets for exports, and help displace Britain in foreign markets. Leaders of the free silver campaign appealed to fellow Americans not only on terms of economic interest but also on more emotional grounds, evoking a defiant spirit of American economic nationalism. In the rhetoric of free silver advocates, the frontier regions of the American West were often represented as colonial dependencies entangled in Britain’s commercial empire. The British-led gold standard, in particular, chained the United States to the British system; the return of unlimited and free coinage of silver would break those chains. In these ways, the dynamics of global monetary relations destabilized domestic politics within the United States, creating new coalitions around a predatory conception of creditor Britain.

⁸⁹Edward P. Crapol, *America for Americans: Economic Nationalism and Anglophobia in the Late Nineteenth Century*, First ed. (Greenwood Press, 1973), 191-215.

⁹⁰ *Los Angeles Times*, 1 August 1893.

In this fraught environment, American discontent over international monetary relations also spilled over into broader Anglo-American relations. In April 1895, British military forces advanced and occupied the port town of Corinto, a disputed territory between British Guiana and Venezuela at the mouth of the Orinoco River. These events developed into something more than a routine controversy over colonial boundaries in large part because the surrounding region was exceedingly valuable territory both in terms of natural resources and as a strategic choke point for trade with three of the largest South American republics, which bordered the river. The British occupation was only the latest development in a long-term boundary dispute between the two countries. Venezuela, in recent years, had appealed for US assistance after Britain repeatedly rebuffed requests for arbitration. In the United States, the problems of her sister American republic had garnered little interest outside foreign policy circles until that moment. The widespread and shared outrage at Britain, however, marked the Corinto incident as something different.

What raised such broad alarm among Americans by 1895 was the way in which the incident fit into larger patterns of British aggrandizement connected with foreign trade and resources. The discovery of large gold deposits in the region during the mid-1880s seemed to signal a shift in British policy regarding the boundary, of which the occupation of Corinto was only the latest development. As one New York journal observed, “The British government has steadily supported the encroachments of its

colonists onto Venezuelan soil, [which] now includes the valuable gold fields in the Venezuelan district of Yururi.”⁹¹

British actions had the remarkable ability to unify the reflexively hostile factions in American politics. In the months following the British advance, Republican leaders, in the absence of an official US response, attempted to paint President Cleveland as a silent collaborator with long standing British sympathies. But the strongly worded diplomatic note demanding arbitration delivered to Britain in July, and the threat of US unilateral action on the boundary question announced in December after the Salisbury government rebuffed the US appeal, rallied most Americans to the singular cause of opposing Britain. In both the diplomatic note and in the Special Message to Congress requesting the creation of a unilateral US boundary commission, the Cleveland administration framed British action as a violation of the Monroe Doctrine, a foreign policy that insisted on no further European territorial expansion in the American hemisphere. Cleveland’s December message, in particular, was greeted with widespread jubilation and talk in many quarters of a third war against America’s perennial nemesis. “A degree of excitement that has not been equaled in this city for many years was created by the appearance at noon today of a Special Message of the President on the Venezuelan question,” reported one paper from Washington.⁹²

That excitement in the capital and elsewhere across the country, however, was not generated by the opportunity to vindicate the Monroe Doctrine, a policy that had been

⁹¹ “The Venezuelan Controversy,” *New York Observer and Chronicle*, 21 March 1895.

⁹² “Exciting Scenes in Washington,” *New York Times*, 18 December 1895.

more often upheld in word than in deed since the early nineteenth century. It was fired by the way British actions in Venezuela seemed to fit a pattern of predatory behavior by the leading commercial power. From agricultural Missouri, one academic critic declared hotly: "The old-time policy of Great Britain is well known. We are familiar with it as demonstrated in Belize, where an original [concession] for wood was finally extended to complete dominion over a large area of Central America... England's attitude toward Venezuela is so thoroughly in accord with the Belize affair that it may be accepted as an announcement of a principle or doctrine of aggression."⁹³ From financial New York, another journal recorded: "It is known that there is a British desire to gain valuable gold fields in the territory of Venezuela." No voice was more prominent on the issue, however, than that of Senator Henry Cabot Lodge of Massachusetts. Lodge, a leading Republican on foreign policy questions, was a student of history and an admirer the British Empire. Yet he was also a stout nationalist both on economic questions and American prerogatives in the western hemisphere. In a letter to a British friend, Lodge explained why recent British actions stirred Americans so powerfully: "This astonishing outburst against England here. The bottom of it, in recent times, is England's attitude on the money question, and the way in which she has snubbed all our efforts to do anything for silver. Do you not see that gold, [for] which you have been fighting, is really at the bottom of all this business?"⁹⁴ Lodge had been a convert to international bimetallism and therefore was keenly aware of perennial British obstruction to an international monetary

⁹³ "The Belligerent Spirit," *New York Observer and Chronicle*, 19 December 1895.

⁹⁴ Henry Cabot Lodge to Moreton Frewen, undated, reprinted in *The Nation*, 27 February 1896, Vol. 62, No. 1600, 170.

accord.⁹⁵ But these sentiments were echoed as much by the free silver spokesmen of the American West. “[Venezuela] was only the occasion. The real cause [of hostile feeling] is the deep-seated belief that England by her financial maneuvering... has gained an advantage not only over the States but other countries, which will yet lead to trouble.”⁹⁶

Cleveland, in his assertive response to Britain, channeled these sentiments, unifying briefly his free silver opponents on the left and his Republican foreign policy antagonists on the right of the political spectrum. In this sense, the jingo cries for war against Britain heard following the Venezuelan incident were measures of the anxiety generated in all quarters of American politics by ongoing British financial and commercial influence.

The unanimity fostered by a foreign enemy in 1895 and early 1896 was not enough to rescue the political fortunes of President Cleveland or to halt the splintering political coalitions during the 1896 presidential contest. The heated diplomatic standoff over the Venezuela boundary began to cool as early as January 1896, when the British Cabinet led by Colonial Secretary Joseph Chamberlain shifted toward conciliating the United States.⁹⁷ Most interpretations of these events emphasize the emerging geopolitical threat posed by Germany and the British necessity to clear away unresolved questions in order to focus on their response to the rising continental power. While

⁹⁵ Lodge had joined the Committee for the Promotion of International Bimetallism in February 1894. “International Bimetallism,” *The Washington Post*, 6 February 1894.

⁹⁶ A.J. Warner quoted in Crapol, *America for Americans*, 192.

⁹⁷ Lord Salisbury described a softening of the British position vis-à-vis the United States on the Venezuela question as early as 11 January 1896. In a report on a recent Cabinet meeting sent to Queen Victoria, he said, “The American difficulty was a good deal discussed. The general impression was that a widespread wish an honourable arrangement existed, and that every effort should be made to attain it.” See, Lord Salisbury to Her Majesty Queen Victoria, 11 January 1896, Cabinet Records (CAB) 41/23/42, BNA.

acknowledging these considerations, the shift toward conciliation was also the result of decisions on both sides of the Atlantic – and, as importantly, was a policy shift urged by those most interested in maintaining transatlantic financial and commercial relations. In Britain, the Liberal Party was the main source of pressure, arguing against the dismissive stand taken toward the United States by the Salisbury government and for the importance of the Anglo-American economic relationship. As one London journal wrote, “Bankers and businessmen generally lamented the general distemper and earnestly hoped that the common sense of the thinking masses would prevail.”⁹⁸ In the United States, similarly, men of commercial affairs tended toward the side of arbitration and rapprochement. In this cause prominent advocates of international bimetallism played a role. Speaking of the potential damages to trade and investment from an Anglo-American war, financial expert and bimetallic diplomat Edward Atkinson warned his Reform Club audience, “The war which the jingoes propose [will] destroy the commerce by which a million and a quarter of our most energetic men and women get their living.”⁹⁹ Later in 1896, personal diplomacy between US Secretary of State Richard Olney and British Colonial Secretary Joseph Chamberlain established the framework for resolution of the boundary question and set in motion talks for a broader arbitration treaty to settle all future disputes between the two countries. The treaty came to naught, but the effort made on both sides marked the beginning of Anglo-American rapprochement, which emerged over the following twenty years and proved invaluable in the foreign policies of both countries throughout

⁹⁸ Henry M. Stanley, “The Issue between Great Britain and America,” *The Nineteenth Century: A Monthly Review* 39, no. 227 (January 1896): 1–6.

⁹⁹ *New York Times*, 8 December 1895.

the twentieth century.¹⁰⁰ Advocates of resolution on both sides helped preserve the transatlantic relationship not only on strategic grounds but also because financial and commercial connections remained vital to both countries.

During the war scare over the Venezuelan boundary – and during the economic and political upheavals of Cleveland’s second administration in general – Republican advocates of international bimetallism made consistent efforts to maintain transatlantic relations by advancing the campaign for an international monetary accord. They did so in three important ways: by promoting international bimetallism as a remedy to the problems of economic depression, by keeping the United States aligned with the British monetary standard, and by offering a middle path between the gold standard and a free silver during a tumultuous era in domestic politics. Between 1893 and 1896, three significant accomplishments toward an international agreement stand out: the shift in sentiment toward international bimetallism, the repeal of the Sherman Act, which returned the United States to the gold standard, and the inclusion of international bimetallism in the platform of the Republican Party during the 1896 election.

In these efforts, political economist Francis A. Walker and Senator Henry Cabot Lodge made the most sustained contributions. Walker spoke tirelessly to American and British audiences about the monetary stability offered by international bimetallism during these years. “Since 1892, he had felt that it was his duty to do all that he could toward

¹⁰⁰ See, for details, Ernest R. May, *Imperial Democracy* (New York: Harper Torchbooks, 1973), 56-65.

educating public opinion,” reported one observer of Walker’s efforts.¹⁰¹ The failure of the Brussels Monetary Conference that year left unresolved the macroeconomic problems that contributed to an increasingly brittle international financial system. In this period Professor Walker contributed to the British shift toward international bimetallism that culminated in the unanimous vote in Parliament in favor of a new international monetary conference in March 1896. The American shift, though less dramatic, was marked by new inquiries regarding international bimetallism in Europe from President Cleveland.¹⁰² Part of Walker’s success in these efforts rested on his rare combination of abilities. It was said of Walker, age 53 when the financial panic of 1893 escalated monetary politics in the United States, that “it was impossible to know him without recognizing how the vigor and alertness of the man of affairs, the enthusiasm and industry of the student, and the frank and sympathetic geniality of a social companion, combined to give him a position among economists that [is] unique.”¹⁰³

While Walker’s efforts including public speaking, published writings, and private diplomacy sought agreement by persuasion, the work of Senator Henry Cabot Lodge of Massachusetts employed more stick than carrot. For Lodge, the central obstacle to an agreement was the position in favor of the gold standard maintained by Britain. Like Walker, he corresponded with leading British bimetallists, encouraging the Bimetallic League and the efforts of its members in Parliament. During 1894, however, Lodge also

¹⁰¹ Francis Walker travelled to Britain to promote international bimetallism in 1892, 1894, and 1896 during the campaign season. See, for example, “Silverites Not Bimetallists Professor Walker Makes Clear to British Audience,” *New York Times*, 14 July 1896.

¹⁰² Cleveland to Bayard, 12 February 1895, quoted in Nevins, *Letters of Grover Cleveland*, 378.

¹⁰³ “Francis A. Walker Obituary,” *The Economic Journal* 7, no. 25 (March 1, 1897): 143–52, doi:10.2307/2956978.

attempted more confrontational means of shifting British policy on the monetary question. In the new Wilson-Gorman Tariff Bill that year, Lodge attempted to add measures that were extraordinarily punitive toward Britain that would remain in effect until the British government agreed to international bimetallism. Though his amendments were ultimately defeated, the effort demonstrates the kind of urgency and pressure applied from official positions of power.¹⁰⁴

Together with these efforts, the third most important accomplishment of bimetallic advocates during the Cleveland years was the inclusion of international bimetallism as part of the Republican Party platform in 1896. The divide between free silver Republicans of the West and arch defenders of the gold standard in the East made the debate over the monetary position of the Party the most heated issue of the Republican Convention that year.¹⁰⁵ Though the exact authorship of the eventual plank for sound money and international bimetallism remains unclear, without doubt financial conservatives like Senators William B. Allison and Henry Cabot Lodge were influential in moving the platform in the direction of international bimetallism.¹⁰⁶ While the most ardent free silver Republicans dismissed international bimetallism (and walked out of the convention to support the likely pro-silver platform of the Democratic Party), the moderate pledge for international bimetallism help hold together gold and silver financial

¹⁰⁴ Crapol, *America for Americans*, 201-203.

¹⁰⁵ For details, see H. Wayne Morgan, *William McKinley and His America* (Syracuse University Press, 1964).

¹⁰⁶ Both Allison and Lodge had made public declarations for international bimetallism prior to 1896. Senator Allison offered a detailed defense of an international monetary agreement to reporters while in route to the Republican Convention that summer. See, for his comments, *New York Times*, 16 June 1896. For further detail, see H. W. Brands, *The Reckless Decade: America in the 1890s* (New York: St. Martin's Press, 1995), 267-269.

conservatives in an election year dominated by the monetary question. As one journal reported of the Republican Party in the 1896 campaign, “Thousands were held firm to their party allegiance only by the promises of their leaders to work for international bimetallism.”¹⁰⁷

During the period 1893 to 1896, the American political landscape seemed to divide along sharper lines than at any moment since the Civil War. Debtors of the American West battled not only Wall Street but also the British financial and commercial system of which Wall Street was only a part. Discontent over the economic depression and price deflation resulting from the gold standard, in particular, pushed questions of international monetary relations beyond elite diplomacy, shaping the widespread American animosity toward British encroachment in Venezuela. President Grover Cleveland, despite winning unified admiration for his policy stand against Britain in that crisis, could neither secure another nomination nor hold the Democratic Party together during the 1896 election. By then, his actions – especially the repeal of the Sherman Act and the bond issues which profited J.P. Morgan and other Wall Street interests – made almost certain the rise of an insurgency around free silver. By the end of summer 1896 that insurgency had consumed the Democratic Party and catapulted Nebraska free silver spokesman William Jennings Bryan into presidential politics as the nominee of the Democratic and Populist parties. During this period, American advocates of international bimetallism struggled mightily to bring about an international monetary accord through actions at home and abroad. The elevation of Bryan, the young and fiery embodiment of

¹⁰⁷ *London Times*, 16 December 1896.

western discontent, however, threatened the entire project of conservative financial policy at home and the ongoing commercial relationship with Britain abroad.

International Bimetallism and Anglo-American Rapprochement

At many moments during the presidential campaign that fall it appeared as though an admixture of widespread discontent and oratorical talent might lift William Jennings Bryan to the presidency. In October, the conservative *Saturday Review* reported to London readers: “The scale seems to have been turning a little in favor of Bryan. Something has been done for him by his own preternatural powers [for] clap-trap declamation exercised on very ignorant and highly inflammable audiences.”¹⁰⁸ It was with great relief, therefore, that financial conservatives at home and abroad greeted the triumph of William McKinley and the Republican Party that November.

By April 1897, only weeks after McKinley’s inauguration, monetary envoys of the United States once more sailed for Europe. For the new administration, the pursuit of international bimetallism was among the most important policy objectives of the first year in office. In the president’s inaugural address, the accomplishment of an international monetary accord was declared essential to American economic recovery. Only the restoration of the protective tariff received more prominent attention in his speech. McKinley, perhaps shrewdly, did not mention the gold standard or discuss US currency beyond mentioning that it should be placed on an enduring basis. “The question of international bimetallism,” he stated firmly, however, “will have early and earnest

¹⁰⁸ Goldwin Smith, “The American Crisis,” *Saturday Review* 82, no. 2138 (October 17, 1896): 412–13.

attention.”¹⁰⁹ It appears that this was not simply convenient political rhetoric from the plain-spoken Ohioan.

McKinley devoted considerable time and energy to these efforts, according to correspondence between Senator Wolcott in London and President McKinley.¹¹⁰ Another measure of his seriousness regarding international bimetallism was the inclusion among the American envoys of respected figures who represented all interests. The new president made news assigning Adlai Stevenson, the former Democratic vice president, to the monetary negotiations. As one Republican bimetallist recorded, “In naming Mr. Stevenson, a silver-man and one who supported Bryan, President McKinley has convinced everybody that he is an earnest bimetallist.”¹¹¹

To lead the diplomatic mission, McKinley appointed Republican Senator Edward O. Wolcott of Colorado. Wolcott, age 49 that year, was charming, voluble, and reputed as the greatest orator then serving in the Senate.¹¹² His selection was based both on his experience and on his geographic value. Wolcott had long been a supporter of an international agreement, travelling to London with Frances A. Walker as early as 1894 to promote action by British policymakers.¹¹³ He was part of a Republican Senate cohort that pursued informal bimetallic diplomacy during the Cleveland years, supporting the British Bimetallic League, proselytizing to fellow Americans, and making international

¹⁰⁹ William McKinley, “Inaugural Address,” 4 March 1897. *UCSB American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=25827>.

¹¹⁰ Wolcott corresponded directly with President McKinley throughout 1897. See, for example, Wolcott to McKinley, 6 August 1897, *William McKinley Papers*, LOC Manuscript Division, Microfilm, Series 1, Reel 2.

¹¹¹ “Effort for Bimetallism,” *New York Times*, 14 April 1897.

¹¹² Morgan, *William McKinley and His America*, 282.

¹¹³ *Washington Post*, 3 September 1895.

bimetallism Republican Party policy in 1896. Wolcott was also significant within the Republican Party by virtue of his geographic position. The Colorado senator had consistently advocated international bimetallism and sound money while many Republican representatives in the American West tilted toward free silver and William Jennings Bryan. The selection of Wolcott, therefore, gave McKinley's diplomatic initiative the added legitimacy of western representation. With the instructions from the new president giving them the authority to negotiate an international agreement, the special envoys of the United States set sail to secure a bimetallic agreement with the great commercial powers of Europe in spring 1897.¹¹⁴

Americans hopeful of diplomatic success had several reasons to be optimistic about the latest effort toward an international monetary accord. Much had changed since the failures of the American-led Brussels Conference in 1892. By 1897, commercial and imperial competition had intensified among the great powers. Japan's victory in the Sino-Japanese War had sparked a rush for colonial and commercial concessions in East Asia. German colonial ambitions expanded in the absence of Chancellor Bismarck's prudent restraint, challenging Britain and France in Africa and elsewhere. In all cases, imperial aggrandizement was driven by the combination of geostrategic interests and the quest for national prestige. But as important to the intensification of imperialism were the global economic uncertainties that persisted during the era of Victorian globalization. Among these, the price of silver, which facilitated trade between silver and gold standard

¹¹⁴ Hay to Sherman, 20 May 1897, Despatches, Great Britain, RG 59, Microcopy No. 30, Roll 176, NA.

countries, had been destabilized, falling to a new low against gold: 34.5 to 1 by 1897.¹¹⁵

In Europe, these material problems hastened the diffusion and rising popularity of international bimetallism in because it promised to help lift the price of silver and return the ratio in value between silver and gold to its historical level, approximately 15.5 to 1. In turn, this rising popularity led to official expressions of interest in Europe for an international monetary accord, which contributed significantly to renewed American efforts.¹¹⁶ Even before the McKinley administration took office, Senator Wolcott in coordination with the president elect had travelled to Europe to gather intelligence on the matter. The positive reports by Wolcott likely played a key role in emphasis McKinley placed in international bimetallism during his first year in office.¹¹⁷

Hopeful expectations for success, however, rested foremost on the election of new governments in Britain in 1895 and the United States in 1896. The diplomatic playing field had narrowed in the years after 1892, as adherence to the gold standard by Britain's Liberal Party emerged as the central obstacle to American efforts to establish a wider international monetary accord. With the formation of a Conservative Party government in Britain and the election of a new Republican administration in the United States, the parties most supportive of international bimetallism on both sides of the Atlantic, after 1896, held power at the same moment. When news of the Republican victory reached London in fall 1896, one English economist reported that "the election of McKinley

¹¹⁵ Price ratio figures in Milton Friedman, *Monetary Mischief* (New York: Harcourt Brace, 1992), 83.

¹¹⁶ See Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*.

¹¹⁷ Wolcott to McKinley, 27 January 1897, William McKinley Papers, LOC Manuscript Divisions, Microfilm Copy, Series 1. See also, "Wolcott Goes Abroad," *Washington Post*, 1 January 1897.

involves the triumph of international bimetallism over national bimetallism.”¹¹⁸ Henry McNeil, General Secretary of the Bimetallic League, sent queries to Francis A. Walker in Boston about the likelihood of new action following McKinley’s election. Professor Walker, who tirelessly advocated on behalf of international bimetallism and supported McKinley, promptly replied by telegraph: “Prospects never better here.”¹¹⁹

American optimism extended beyond bimetallic partisans to official circles based on signals from the new Salisbury government in London. Ambassador John Hay, a loyal Republican but never a bimetallic supporter, reported to Washington: “The [British] government is not so hostile to some solution as is generally supposed.”¹²⁰ In fact, so many high officials of the Conservative Party government, including Lord Salisbury himself, were sympathetic to bimetallism that one London journal referred to the new government as “the bimetallic cabinet.”¹²¹ Taken together, these developments made the achievement of an international monetary accord appear more likely than ever before.

Despite these hopeful signs, the Wolcott mission upon its arrival in Europe faced many significant obstacles. The most personal obstacle to the diplomatic mission was the absence of the expert knowledge and personal relationships of Professor Francis A. Walker. Walker had died suddenly of apoplexy in early January. With emblematic Victorian restraint, the *New York Times* lamented, “It is difficult to think of a man of his

¹¹⁸ *Washington Post*, 9 November 1896.

¹¹⁹ Quoted in McNeil to Walker, 23 December 1896, Francis A. Walker Papers, LOC Manuscript Division, Box 1.

¹²⁰ Hay to Sherman, 20 May 1897, Despatches, Great Britain, RG 59, Microcopy No. 30, Roll 176, NA.

¹²¹ Lawson, “Sinking Silver.”

intellectual vitality, his personal energy, and love of work dying at fifty-six.”¹²²

According to reports, Walker had intended to accompany Senator Wolcott on his diplomatic mission that spring.¹²³ As a leading monetary theorist and as an active diplomatic participant, Walker had been deeply involved in the transnational debate over international bimetallism since its inception in the 1870s. One London journal described Walkers as “the ablest exponent of economics in our time... [whose] books on *Money* and *The Wages Question* are economic classics.”¹²⁴ His esteem among British economists likely would have added gravity to the mission at hand.

Along with personal tragedy, the Wolcott mission in London faced entrenched sentiment in favor of the gold standard and a corollary skepticism of the bimetallic standard. In Britain, despite the growing number of converts to the idea of bimetallism, the gold standard still held powerful sway in government and finance. The influential connections between London finance and the British government represented the nucleus of the defense of the gold standard.¹²⁵ Leading central bankers, including William Lidderdale and Henry R. Grenfell, had decamped for international bimetallism on grounds that it stabilized monetary relations by removing the struggle among countries to maintain gold reserves. The gold stalwarts of the City of London had formed the Gold Standard Defence Association in response to the successes of Lidderdale, Grenfell and others who had organized the Bimetallic League. This sense of peril regarding the

¹²² *New York Times*, 6 January 1897.

¹²³ “Francis A. Walker Obituary,” *The Economic Journal* 7 (March 1897): 143-152.

¹²⁴ “Obituary,” *The Speaker* 15 (January 9, 1897): 30.

¹²⁵ See, for example, Cain and Hopkins, *British Imperialism*, 149-151.

British gold standard among City bankers highlights the real political progress made by bimetallism and also the kind of sensitivity to policy change among powerful elites used to setting the terms of business. Despite such success, replacing the British gold standard remained a daunting political proposal, given the material interests of creditors and the symbolic significance at stake. In addition, by 1897, a new wave of countries, Russia and Japan most significantly, were adopting the gold standard and aligning themselves with British trade and investment. Furthermore, reports of increased gold production promised to ease these conversions and the struggle for gold reserves.¹²⁶ In these ways, entrenched sentiments in favor of the gold standard were holding ground, if not gaining new territory during this period.

In Britain, the Wolcott mission also faced a related skepticism of the bimetallic standard established by an international agreement. While objective-minded gold stalwarts had conceded most all of the intellectual arguments regarding monetary stability under a bimetallic standard, they remained skeptical in other ways. For some, the preservation of the gold standard had something to do with British nationalism – a resistance to the interconnections that Victorian globalization created. For others, resistance to international bimetallism centered around the conservative impulse to deny any policy adjustment associated with radicalism. The free silver insurgency in the recent American election especially inspired fear among London gold stalwarts. In the financially conservative regions of the London press, Bryanism was equated with socialism, anarchism, and revolution. Making light of Bryan's brief resume, the *London*

¹²⁶ Atkinson, "The Increased Production of Gold."

Times suggested, “To have practiced law and served two terms in the House of Representatives at Washington is hardly a career. But neither [did] St. Just or Robespierre [have] great careers before they came to the front of the Revolution.”¹²⁷

These charges were easily dismissed as rhetoric; it was more difficult to dismiss disputes over the feasibility of bimetallism fostered by the further fall of silver in recent years. Though these new declines conformed to bimetallic arguments regarding the spread of the gold standard and the further demonetization of silver, the new reality of silver at 34.5 to 1 against gold made it difficult to decide upon a statutory ratio between gold and silver, even if all sides agreed to establish bimetallism. This debate over the correct ratio not only was raised by gold defenders, but also divided many bimetallic advocates, especially in Britain.¹²⁸ Though the further fall in silver that year followed closely after the adoption of the gold standard by Russia and Japan, it did more to damage the chances of the bimetallic standard. As Wolcott later noted, “Nothing so discredited our attempts to restore silver to its old pedestal than this extraordinary decline.”¹²⁹ On both practical and on increasingly ideological grounds, the idea of international bimetallism proposed by the United States confronted significant skepticism in Britain.

Perhaps the most daunting obstacle faced by the Wolcott mission, however, was the return of positive signals of recovery in the British economy. By 1896, Britain’s adjusted gross domestic product had recovered more than half of the 10 percent decline

¹²⁷ *London Times*, 14 July 1896.

¹²⁸ Economist Alfred Marshall who had conceded the benefits of bimetallism, though a ration closer to 20 to 1 should prevail, Arthur Balfour felt much the same way.

¹²⁹ Wolcott, *Statement Respecting the Work of the Recent...*, 12.

that began in 1890 and was trending upward year to year.¹³⁰ US Ambassador John Hay noted from London that “England was in a condition of unusual prosperity and that this condition would prove the most powerful argument in favor of the maintenance of the present financial system.”¹³¹ Just as hard times had elevated the cause of bimetallism, the beginning of good times diminished the political urgency for reform in Britain. Taken together, economic conditions, ideological allegiances, and personal setbacks presented the US monetary envoys with significant challenges to the success of their diplomatic mission during the spring and summer of 1897.

Despite facing these economic and ideological headwinds, the Wolcott mission produced a number of significant accomplishments. Foremost among these was the successful effort to bring the full support France behind the US effort to establish international bimetallism that summer. On their arrival in Paris in May, the American envoys were feted as guests of honor during an elaborate dinner at the Hotel Continental with more than 400 representatives of the French Bimetallic League.¹³² The warm welcome extended beyond bimetallic circles to the highest levels of government. Within a few weeks, Wolcott had secured from France an agreement to jointly restore bimetallism with the United States as part of a larger agreement. Writing to President McKinley, the Colorado senator reported that “the Prime Minister has stood by every assurance he made” regarding an international agreement. Speaking of the French agreement, Wolcott added, “This will bring us greater concessions from England than we

¹³⁰ Floud and McCloskey, *The Economic History of Britain Since 1700*, 2: 30.

¹³¹ Hay to McKinley, 7 June 1897, *William McKinley Papers*, LOC Manuscript Division, Microform Edition, Series 1.

¹³² “French Hopes for Silver,” *New York Times*, 29 May 1897.

could hope to secure unaided.”¹³³ These diplomatic victories stemmed from American efforts and from broader developments within France. From 1893, the idea of bimetallism experienced a remarkable revival based on economic hard times, in general, and the ways in which the further fall of silver that year disrupted commerce in a country whose currency was composed of both gold and silver, in particular. As in Britain, a fast-growing political coalition emerged around international bimetallism. In late 1893, prominent French economist Edmond Théry published a series of studies that supported bimetallic arguments regarding the spread of the gold standard beyond Britain and the particular problems it posed to France. Théry concluded that “the exchange troubles – which have become so frequent in recent years – are principally caused by the contraction of international legal-tender money.” His publications gave the bimetallic cause the imprimatur of objective science. Soon many national agricultural associations of France had adopted his line of argument. By 1895, Alexandre Ribot, the Prime Minister of France, placed monetary policy changes at the root of French distress: “There have been during the last twenty years many causes which have contributed to the lower price of commodities... But, for my part, I am convinced that the abandonment of bimetallism precipitated this crisis and [has] given it a much more serious character.”¹³⁴ By June 1897, though Wolcott negotiated with the Méline government, French sentiments and policy interests followed these same lines. Events moved quickly, before the end of that month, the US Ambassador at Paris reported that the terms of the French agreement had

¹³³ Wolcott to McKinley, 18 June 1897, Special Agents, Vol. 20, RG59, Microfilm No. 37, Roll 21, NA.

¹³⁴ Ibid.

been transmitted to the French Ambassador at Washington.¹³⁵ With added leverage as a result of the French agreement, Wolcott turned his attentions to gold standard Britain.

Distinct from the objectives outlined in official instructions, US bimetallic diplomacy that year produced a second significant accomplishment: the advancement of Anglo-American rapprochement. The US engagement with Britain on the monetary question offered a policy issue upon which both sides could display conciliation and mutual understanding while other ongoing Anglo-American differences over North American fisheries and British interests in the Caribbean remained more disputatious. The length and frequency of interactions on bimetallism provided the opportunity for changes of opinion among high officials on both sides. Wolcott was in London for most of the first ten months of 1897, where he engaged informally with cabinet officials, members of Parliament, and prominent City of London figures.¹³⁶ US Ambassador to the Court of St. James, John Hay, spent most of his first months in London on this issue in direct consultation with Lord Salisbury.¹³⁷ In early July, when Wolcott and his fellow monetary envoys arrived in London in their official capacity, they were received at Court by Queen Victoria herself, invited to lunch at Windsor Castle, and were “the recipients of many kind attentions.”¹³⁸ As Wolcott later reflected, “From the day we reached England until we left finally in October, our official treatment was everything that could be

¹³⁵ Wolcott to McKinley, 29 June 1897, Special Agents, Vol. 20, RG59, Microfilm No. 37, Roll 21, NA.

¹³⁶ See, for example, Wolcott to McKinley 27 Feb 1897, *William McKinley Papers*, LOC Manuscript Division, Microform Edition, Series 1.

¹³⁷ Hay to Sherman, 20 May 1897, Despatches, Great Britain, RG 59, Microcopy No. 30, Roll 176, NA.

¹³⁸ Hay to Sherman 17 July 1897, Despatches, Great Britain, RG 59, Microcopy No. 30, Roll 176, NA.

desired... [Our] proposals were treated with full consideration.”¹³⁹ Part of this graciousness rested on the sympathy for bimetallism within the Salisbury government. Yet part of the distinct displays of British hospitality were rooted in the triumph of McKinley in the recent presidential contest, which to many in England symbolized the victory of order, harmony, and civilization over the forces of radicalism and class hatred. As Wolcott reported to McKinley, “Everyone here of every shade of political opinion rejoices in your election.”¹⁴⁰ With the ascendancy of the sound money Republican, British officials and opinion makers began to see the United States in a new light – as fellow financial conservatives. They recognized that the new president and his representatives in London were sound money adherents like themselves. Such sentiments in the press paralleled the advancement of Anglo-American rapprochement at the individual level through personal relationships. Especially for John Hay, who recorded the frank and attentive interactions with Salisbury and the British government, these relationships fostered a deeper regard for Britain and her interests, which would shape future Anglo-American relations after Hay became Secretary of State in 1898. With the election of McKinley, and the locus of agreement around principles of sound money, US bimetallic diplomacy throughout 1897 furthered the trajectory of Anglo-American rapprochement and, on both sides, made declarations of transatlantic solidarity something more than rhetoric.

¹³⁹ Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*, 7.

¹⁴⁰ Wolcott to McKinley 27 Feb 1897, *William McKinley Papers*, LOC Manuscript Division, Microform Edition, Series 1.

In addition to these accomplishments, the pursuit of international bimetallism by the McKinley administration also produced, for the first time, an extended engagement with proposals for an international agreement at the highest levels of the British government. During the preceding twenty years, Britain had agreed to participate in the series of International Monetary Conferences only with great reluctance. Yet in the wake of the failed 1892 Conference, economic difficulties began to shift sentiments toward reconsideration. By 1897, the Salisbury government appeared ready to negotiate international bimetallism with its longest standing proponent, the United States.

Even before Senator Wolcott and his fellow monetary envoys arrived in July, the groundwork for a positive outcome on a bimetallic agreement had been laid in the preceding months. Long before he embarked for England, Wolcott understood that a truly universal form of international bimetallism was not possible because Britain would not alter her domestic gold standard. “When we approached England,” he later recalled, “we realized perfectly that, in furtherance of any settlement of the question, English mints would not be open to silver.”¹⁴¹ Instead Wolcott was after a grand bargain similar to the ultimate proposal that emerged from the 1881 Conference. In that case, the deal offered the restoration of bimetallism jointly by the United States and France in exchange for Britain holding one-fifth of the reserves of the Bank of England in silver and keeping India open to the free coinage of silver. By July 1897, with a preliminary French agreement in hand, Wolcott arrived in London confident that an accord could be swiftly reached.

¹⁴¹ Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*, 8.

The confidence Wolcott expressed in a positive outcome was not chimerical. His entire mission – and the sustained interest in international bimetallism by the Republican Party during the recent campaign – had been based in part on expressions of interest made by the British government in March 1896. After an overwhelming vote in favor of an international bimetallic agreement in the House of Commons on 17 March, Chancellor of the Exchequer Sir Michael Hicks-Beach spoke to the House, conceding the role the fall of silver had played in price deflation at home and in the financial difficulties of India abroad. Regarding an international accord, he stated on behalf of the government, “We are perfectly ready, as we have always been to join with foreign countries in conference as the best way in which those evils may be alleviated... I have little doubt but that the government of India would be prepared to assist by reopening the Indian mints.”¹⁴² The statement was striking because Hicks-Beach remained one the most ardent gold standard advocates and, as Chancellor, the leading voice on questions of national finance in the Salisbury government. Britain, in other words, appeared ready to bargain.

In the United States, these signals buoyed Republicans who favored a moderate course between the financial difficulties under the gold standard and the greater difficulties posed by free silver. There were subsequent signals that only confirmed British openness to an agreement. During his informal mission during January and February 1897, Wolcott met with Sir Michael Hicks-Beach and received assurances that the position of Britain had not changed. In May, Ambassador John Hay reported further confirmation from Lord Salisbury. “I asked his Lordship whether I might assure my government that

¹⁴² Great Britain Parliament, *Parliamentary Debates* (London: Waterloo & Sons, 1896), 1201.

this resolution [of March 1896] still expressed the sentiments of Her Majesty's Government... He answered without hesitation in the affirmative."¹⁴³ As he arrived in London that July, Senator Wolcott had good reason to believe in the future success of his diplomatic mission.

By the end of July, however, new impediments emerged. While the American monetary envoys held a series of meetings that month with Lord Salisbury and the British cabinet, confidential details of the US proposals reached the City of London through the press. "An outburst of fury fills the London papers," recorded Ambassador Hay of these developments.¹⁴⁴ Leading investment bankers and gold standard politicians of the City of London were indignant. "Mr. Wolcott's proposals, as far as we know them, do most seriously impair the value of the gold standard," charged Lord Farrer, a prominent member of the Gold Standard Defence Association.¹⁴⁵ City interests, however, held the British government in more contempt for contemplating such a bargain. Conflating their private interests with the national interest, Robert Giffen, another gold stalwart, described "the angry surprise with which this so-called compromise [had] been received in the City... The City and the public are entitled to see, if they can, that nothing is done by the government that is prejudicial to the interests of the country."¹⁴⁶

Such outrage in financial circles, though dressed in the rhetoric of national interest, was largely driven by self-interest. As Lord Farrer confessed, "If accepted by

¹⁴³ Hay to Sherman, 20 May 1897, Despatches, Great Britain, RG 59, Microcopy No. 30, Roll 176, NA.

¹⁴⁴ Hay to McKinley, 17 July 1897, *William McKinley Papers*, LOC Manuscript Division, Microform Edition, Series 1.

¹⁴⁵ *London Times*, 15 October 1898.

¹⁴⁶ Sir Robert Giffen to the Editor, printed in *London Times*, 15 October 1897.

our government, [these proposals] would pledge us to the principle of bimetallism as much as if England herself became bimetallic... Existing relations between silver and gold shall be revolutionized. Silver shall be raised to more than twice its gold value. In other words, our own gold standard is to have its value reduced by more than one-half.”¹⁴⁷ In defense of the gold standard, his lordship perhaps unwittingly had conceded one of the central arguments made by bimetallists: that the value of silver had fallen as the spread of the gold standard decreased global demand for silver and that, conversely, the value of silver could rise based on the restoration of that demand in the form of US, French, and Indian currency. The City did not complain at all as gold appreciated through government action with the adoption of the gold standard beyond Britain after 1873. But they did complain mightily about government action that might end this beneficial arrangement. Among contemporaries, one did not have to be a radical to see the outlines of a global system in which government was by and for distant financial elites. L.J. Maxse, editor of London’s conservative *National Review*, pointedly argued that “[Lombard] Street claims an absolute veto upon every settlement of the monetary question, no matter how satisfactory it may be to other members of the community, no matter how much it may be calculated to promote general prosperity... [The Money Power] toils not, neither does it spin, but for its benefit trade is to be arrested and man is to be deprived of the fair reward for his labour.”¹⁴⁸ Though gold standard arguments continued to make an impression in London that summer (Wolcott described them as

¹⁴⁷ Sir Thomas Farrer to the Editor, *London Times*, 15 October 1898.

¹⁴⁸“Episodes of the Month – The Money Power,” *The National Review*, Dec 1897, 509-512.

intemperate, hostile, and somewhat brutal), it is not clear that City sentiments alone precluded the successful conclusion of an international agreement.

Within official circles, the more immediate problem was the disposition of India on the monetary bargain proposed by the United States. “The vital point in all our negotiations with Great Britain was, of course, India,” Wolcott later recalled.¹⁴⁹ Both the American envoy and his British interlocutors understood that the re-opening of the Indian mints to the free coinage of silver represented the most consequential concession Britain could offer to any international agreement.

In 1893, the Indian government closed the nation’s mints to silver as an initial step toward the establishment of the gold standard in India on the recommendation of the Committee on Indian Currency appointed by the Gladstone government. Following the monetary change, India endured considerable economic difficulties and readjustment. The silver rupee appreciated approximately 25 percent during this period, raising the price of Indian exports relative to the prices of competing exporters like China. Declines in trade, compounded by famines during these years, disrupted the Indian economy.¹⁵⁰ Many observers attributed the difficulties to the monetary change, which also contributed to a renewed fall in the value of silver worldwide.¹⁵¹ As economic difficulties developed

¹⁴⁹ Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*.

¹⁵⁰ Wilson, *Battles for the Standard*, 85. For details on costs of famine and famine relief, see “Financial Statements for 1897-1898: Part 1,” *The Times of India*, 20 March 1897.

¹⁵¹ The government of India, of course, was composed of British colonial officials and the policy change in 1893 followed the recommendations of the Committee on the Indian Currency, whose report was published the same year. The Committee was led by Liberal Party stalwart, Lord Herschell, and the commitment to the gold standard displayed in the report reflected the monetary preferences of the Gladstone government. *Report of the Committee Appointed to Inquire into the Indian Currency* (London: Eyre and Spottiswood, 1899).

in India after 1893, opposition leader Arthur J. Balfour, perhaps with some partisanship, described the actions of the Gladstone government in India as a “financial crime” and “something approaching lunacy.”¹⁵²

By 1897, many in Britain, and many more in India, viewed the decision as a mistake, including members of the Salisbury government then conferring with Senator Wolcott in London. In the series of three formal meetings held at the Foreign Office that July, there were no objections raised regarding the re-opening of the Indian mints by British representatives Lord Salisbury, Exchequer Sir Michael Hicks-Beach, or Secretary of State for India, Lord George Hamilton, according to memos.¹⁵³ The question of the Indian mints was raised by Chancellor Hicks-Beach only so far as it could be used as a bargaining chip with the Americans and the French on the question of the ratio at which they intended to re-establish bimetallism. Sir Michael suggested that Britain should be included as part of this negotiation, since the future value of silver, which the ratio would play a role in setting, also affected India. In response, Wolcott demurred, insisting the decision on the ratio be left to the countries adopting bimetallism. On 16 July, the American envoys left the final meeting at the Foreign Office with an impression that the re-opening of the Indian mints was not in any way controversial. As Hay reported of the meetings, “Lord Salisbury spoke with an apparent desire to contribute so far as it remained consistent with the [British] gold standard.”¹⁵⁴

¹⁵² “Indian Currency Change,” *New York Times*, 9 August 1893.

¹⁵³ “Memorandum of a Meeting Held at the Foreign Office,” 15 July 1897, FO 93/8/88, BNA.

¹⁵⁴ Hay to Sherman, 17 July 1897, *William McKinley Papers*, LOC Manuscript Division, Microform Edition, Series 1.

Despite a series of affirmative signals from the Salisbury government on the Wolcott proposals, Great Britain ultimately refused to join the proposed monetary agreement, even as something less than a full participant. The formal response, not transmitted to the US Ambassador until late October 1897, came as a surprise to Senator Wolcott, who remained in London. What factors contributed to the apparent change in the British position? The letter from Salisbury stated that the British decision rested entirely upon the recommendation of the government of India. At the last formal meeting in July, Salisbury had requested of Wolcott a memorandum outlining the US-French proposals, including the possible British concessions on India. This document became the basis for an extended internal deliberation that involved the Foreign Office, the Treasury, and colonial officials in India. In that process, the proposals were transmitted to the government of India for consideration. From Simla, on September 16, Viceroy Lord Elgin and his cabinet replied to London: “Our unanimous and decided opinion is that it would be most unwise to re-open the Indian mints as part of the proposed arrangements.”¹⁵⁵ The reply was a lengthy and often circular explanation of their position. While the colonial officials pointed to potential economic consequences, the stronger argument found in the letter was the political argument against re-opening the mints: “India since 1893 has passed through a period of serious tension for and embarrassment to trade and to the government alike... The government of India, as a responsible government, could not call upon the commercial public to face another

¹⁵⁵ Government of India to India Office, 16 September 1897, reprinted in Wolcott, *Statement Respecting the Work of the Recent International Bimetallic Commission*, 29.

prolonged period of doubt, suspense, agitation, and difficulties.”¹⁵⁶ Although Lord Elgin had declared his discomfort with any changes that might cast further blame on the colonial government of India, there was no constitutional reason why the Salisbury government had to defer to their wishes. The Gladstone government in 1893 had implemented the recommendations of the Indian Currency Committee in British India.

Though Britain’s negative reply to the American proposals cited the arguments made by India, there were a series of considerations that likely played a part in the decision of the Salisbury government. First was the disposition of Salisbury himself, who consistently remained more concerned with questions of foreign policy than questions of finance during his tenure. Elgin’s letter had framed the proposal as a policy with the potential to bruise British rule in India. For Salisbury, the legitimacy of the imperial government there was likely a more urgent concern than an experiment in international monetary policy coordination. Second, City opinion also played some role in the ultimate decision. The uproar created in July continued in the London press in the following months, growing especially heated in the week before Salisbury’s formal response. Chancellor Hicks-Beach, in addition, remained a gold standard supporter with intimate ties to City interests. During these intervening months, he received memorials from the Gold Standard Defence Association and others urging against the Wolcott proposals. Finally, by late 1897, economic conditions in Britain – and around the world – had shown signs of steady improvement, dampening the political pressures for monetary change. As one gold stalwart contended, “The power behind bimetallism is discontent

¹⁵⁶ Ibid.

with bad trade and low prices.”¹⁵⁷ With those conditions then changing for the better, monetary policy coordination with France and the United States appeared much less urgent. Senator Wolcott, having received the polite refusal of the Salisbury government returned to the United States, sailing for New York in early November. In press interviews upon his return, Wolcott himself singled out role of City interests for the British turn away from his monetary proposals.¹⁵⁸

Conclusion

We will be wise if we temper our confidence in our national strength and resources with the frank concession that even these will not permit us to defy with impunity the inexorable laws of finance and trade. ¹⁵⁹

Grover Cleveland

Between 1893 and 1897, the question of international bimetallism again became a leading object of transatlantic diplomacy—a process which culminated in negotiations between the United States and Britain at the highest levels. Despite the ultimate failure of US efforts to establish an international monetary agreement, the official and unofficial initiatives toward international bimetallism were not without accomplishments. American advocates of a diplomatic solution to the crisis of monetary instability

¹⁵⁷ Sir Thomas Farrer quoted in “The Silver Crisis and Bad Trade,” 24 March 1893, *Times of India*.

¹⁵⁸ *New York Times*, 11 November 1897.

¹⁵⁹ Cleveland, *Letters and Addresses of Grover Cleveland*, 348.

remained financial conservatives, pursuing international bimetallism as a means to alleviate deflationary pressures imposed by the gold standard while at the same time preserving the transatlantic financial relationship essential to growth and development in the United States. In this sense, American protagonists not only contributed to the revival of international bimetallism as a question of great power diplomacy but also to the larger effort to maintain and restore the Anglo-American commercial relationship. For American leaders, that relationship remained crucial not only for the foreign investment and foreign demand that aided the US economy, but also because the public credit of the United States still relied on refinancing operations that involved London investment houses to a considerable degree. Despite not reaching an international monetary agreement with Britain, the McKinley administration, and prior US administrations since 1873, did succeed in preserving that transatlantic relationship.

During the mid-1890s increasing reports of unprecedented new gold discoveries in the Transvaal and the Yukon dramatically eased the deflationary constraints on the world economy imposed by the gold standard. The scale of new reserves were so large that countries such as Japan, Argentina, and the United States adopted the gold standard without imposing distorting demands on the international monetary system. As the gold discoveries had done in the twenty years after the discoveries at Sutter's Mill, the new influx in gold spurred a distinct intensification of investment worldwide, making the period between 1897 and 1914 a period of remarkable global economic growth and development.

In the United States and Britain, the return of prosperity further reified the status of the gold standard and the British-led system of international trade and investment, in general. Prosperity also soon made the campaign for international bimetallism seem as something of a desperate oddity, born of a desperate period in world economic history. Many leading politicians on both sides of the Atlantic, including US Secretary of State John Sherman and British Prime Minister Arthur J. Balfour, downplayed their past advocacy of international bimetallism in subsequently published memoirs. Many of the leading economists who advocated international bimetallism, passed away before seeing their ideas institutionalized in national policies. The diplomatic campaign to establish international bimetallism, nevertheless, represented a sincere and sustained effort at international economic policy coordination in the face of global economic distress. Many economists and policymakers have since validated many of the monetary arguments made by bimetallic advocates during the struggle over the gold standard between 1873 and 1897. The failure of the US effort to reach an international monetary accord, in the final analysis, rested more on the accumulated institutional strength of the gold standard, especially within British official and financial circles, than on the relative merits of bimetallic proposals made by the United States.

The revival of international bimetallism and the global monetary instability of the mid-1890s were notable developments in the course of US foreign policymaking in the late nineteenth century. As the episodes of the second Cleveland administration demonstrated, the position of the United States within the British-led global economy obligated the United States to reinstate sound-money policies that met British approval

despite the deflationary pressures they imposed on American producers. As the testimony of Senator Henry Cabot Lodge and others indicated, these ongoing financial dependencies created resentments toward Britain that moved beyond the bounds of US monetary diplomacy, intensifying American resentments over British aggrandizement in Venezuela. In the wake of the Venezuela boundary affair, the bilateral negotiations between Britain and the United States on the monetary question provided an extended opportunity for agreement among like-minded officials in both the McKinley and Salisbury governments. Though Senator Wolcott failed to secure an agreement with Britain, these efforts—and the election of McKinley more broadly—allowed many British officials to see the American government with some kinship as fellow financial conservatives for the first time.

On both sides of the Atlantic, these shared sentiments helped pave the way toward broader Anglo-American rapprochement. Prevailing interpretations explain rapprochement mainly as a British decision. Faced with new security concerns from Germany on the continent and from France, Russia, and Japan throughout the empire, Britain demonstrated an increasing deference toward US interests in the western hemisphere, especially after the Venezuela Crisis.¹⁶⁰ Britain welcomed the United States as a junior partner in world governance with the advent of US imperialism after the Spanish-American War, celebrated famously by British poet Rudyard Kipling's congratulatory verse: "Take up the White Man's burden – Ye dare not stoop to less." Yet

¹⁶⁰ See, for details, May, *Imperial Democracy*. See also, Bradford Perkins, *The Great Rapprochement: England and the United States, 1895-1914*, 1st ed. (New York: Atheneum, 1968).

the process of rapprochement had already begun in the United States by those keenly interested in international bimetallism and the preservation of the transatlantic financial and commercial relationship.

Conclusion: The Price of Gold

*The long-continued fall of prices, due to the changes in the money-supply constitutes one of the most distressing conditions under which trade and production can be carried on... As Mr. Balfour said, [it] is probably the most deadening and benumbing influence that can touch the springs of enterprise.*¹ – Francis A. Walker, 1896

*Deflation, as we have already seen, involves a transference of wealth from the rest of the community to the rentier class. But there is another, more violent disturbance... Modern business, being carried on largely with borrowed money, must necessarily be brought to a standstill by such a process.*² – John Maynard Keynes, 1923

Overview

This study has examined the official diplomacy and transnational discourse surrounding the spread of the international gold standard between 1867 and 1900. The sustained nature of these exchanges was driven by global deflationary pressures that coincided with dramatic monetary policy changes in Europe, Asia, and the Americas. As such, the diplomatic struggle between states that sought to alter the international gold

¹ Walker, *International Bimetallism*, 269.

² John Maynard Keynes, *Essays in Persuasion* (New York: Harcourt, Brace and Company, 1932), 103.

standard and those that defended the emerging monetary status quo offers a clear window into the politics of nineteenth-century globalization.

Between 1878 and 1897, American monetary experts and officials in the US State Department led efforts to modify international monetary relations by replacing the gold standard with an international bimetallic standard. The United States, despite the incredible pace of industrialization during this period, remained in many ways an emerging economy marked by a decentralized banking system as well as ongoing dependencies on European capital and export markets. US diplomatic initiatives for international bimetallism emerged from the twin policy necessities to relieve price deflation at home and to maintain the public credit of the US government with European lenders.

The central object of US diplomacy was to change the gold standard policy of Britain without jeopardizing the transatlantic economic relationship. The nineteenth-century global economy was largely a creation of British policy and historical circumstances. The expansion of British trade after 1846 and especially the dramatic increases in overseas lending after 1850 hastened the emergence of global commodity markets for cotton, wheat, corn, cattle, and other agricultural products. To promote cultivation on distant agricultural frontiers, British bankers financed the railroads, port facilities, and steam lines that expanded the production and transport of these products from Asia, Africa, and the Americas. As a result, during this period, the sterling bill established on the British gold standard became the most common instrument for

international payments. A change in British monetary policy, thus, implied a change for the entire commercial world linked to Britain, including the United States.

I have made two central arguments about these diplomatic events. First, that the US campaign for an international bimetallic standard was pursued with far more policy-minded purpose than previous interpretations allow. In the United States the push for monetary diplomacy emerged from within the reform wing of the Republican Party, populated more by policy experts than party bosses and machine politicians. It is clear from the evidence in the public and private writings of those who advocated international bimetallism that their position emerged from concerns for the continued success of the transatlantic economy from which the US benefited and not from electoral calculation.

Second, I have shown that the policy proposals embodied in US initiatives emerged within a far broader, far lengthier transnational discourse than previous interpretations suggest. My research demonstrates that these monetary ideas and policy proposals had a lengthy pedigree among economists and financiers nearest the world-leading capital markets of London and Paris. Those who advocated adjustment to the international gold standard came from a generation of new quantitative economists and financial operators on both sides of the Atlantic. Many were economic authorities of the age, including Alfred Marshall of Cambridge and Francis Walker of Yale.

New economic research by Alfred Marshall and Irving Fisher, in particular, was revising the quantity theory of money postulated by classical English economists in ways that more accurately defined money and its functions during the currency controversies of the late nineteenth century. In their work, the quantity theory of money became a general

theory of the price level. They demonstrated that the total stock of money in circulation was the prime determinate of prices—and, therefore, of inflationary or deflationary trends in prices. These advances in economic thought not only supported the theory behind international bimetallism but also diminished many of the traditional assumptions favoring the gold standard. In particular, this new understanding of money and prices implied that a managed money supply was capable of providing better, more stable macroeconomic conditions than a money supply tied to gold—an idea that would later inform the defining monetary policies of the twentieth century. There is some irony, therefore, that the triumph of the international gold standard over bimetallic alternatives in the 1890s was won despite these advances in monetary theory and not because of them.³

Geopolitics, Ideology, and the Fate of International Bimetallism

Persistent US initiatives to alter international monetary relations through diplomacy ultimately ended in failure. The ultimate failure of US efforts to establish international bimetallism, as this study has demonstrated, rested more on geopolitical priorities and political ideology than on the character of proposals for international bimetallism. A *de facto* regime of international bimetallism had existed among European countries since the establishment of bimetallism in France early in the nineteenth century. A formal international monetary union established by treaty in 1865 among France, Belgium, Switzerland, and Italy had operated for decades despite the difficulties imposed

³ For details, see David E. W. Laidler, *The Golden Age of the Quantity Theory* (New York: P. Allan, 1991).

by worldwide monetary instability after 1873. Proposals for coordinated international use of silver currency, thus, were not untested or exotic policy proposals. They were alternatives in the mainstream of policymaking informed by the latest advances in economic theory.

Though the merits of proposals for international bimetallism had been proven sound in the minds of many economists and bankers of the period, they were less clear to political classes wedded to the axioms of classical English economics. In this sense, the political ideology of the gold standard proved a more significant reason for the failure of international bimetallism than the operational gold standard itself. Politicians charged with managing monetary operations in gold standard countries had repeatedly witnessed difficulties in Germany and the United States. Even in Britain, after the insufficiency of central bank reserves revealed by the Baring Crisis, officials had clear evidence of the problems posed by the reliance on the single gold standard. Yet adherence to the gold standard remained *sine qua non* for sound monetary policy, government efficiency, and civilized behavior for any modern nation-state. In Britain, especially, the idea of the gold standard was bound up in the chauvinisms and narratives of national identity and national greatness. As historian John Darwin has noted, the policies of an open world economy—free trade, the gold standard, and *laissez-faire* government—were adopted in Britain “not just as policy but as a total worldview, an ideology promoted with crusading passion.”⁴

⁴ John Darwin, *After Tamerlane: The Global History of Empire since 1405* (New York: Bloomsbury Press, 2008), 335.

The failure of international bimetallism also rested significantly on overriding geopolitical tensions marked by the European scramble for empires in Africa and Asia—and by the increasingly unstable balance of power in continental Europe. At key moments when diplomatic negotiations to establish international bimetallism—or other proposals for the expanded use of silver currency—appeared likely to succeed, crucial shifts in great power politics seemed to derail these efforts. In 1881, mutual suspicions between Germany and France thwarted coordinated monetary action. In 1892, when the United States had finally moved Britain toward accommodation on a silver currency agreement, tensions between France and Britain over Egypt and between France and Germany over continental aspirations again halted diplomatic progress on monetary questions.

Without question the economic uncertainty resulting from the deflationary period 1873 to 1896 hung over all action in international politics, including US efforts to establish international bimetallism. As the gold standard spread beyond Britain after 1873, the disuse of silver as a monetary standard contributed to a dramatic and ongoing decline in the price of silver. The emergence of the international gold standard, thus, coincided with the breakdown of the historic ratio of value between silver and gold, which for centuries hovered around 15.5 to 1. This was indeed an obstacle for those seeking to rehabilitate silver prices and the use of silver currency. However, this same fact was also the single strongest argument in favor of internationally coordinated monetary policy in the form of international bimetallism or other agreement on the expanded use of silver currency. Monetary policy changes in the 1870s had, at a stroke,

dramatically decreased demand for silver worldwide and, therefore, decreased its market price. By the 1890s, it was clear that coordinated international action could help reverse these trends. When newspapers and journals reported on the likelihood of an international agreement, financial markets responded to the anticipated increases in the use of silver currency, driving up the price of silver even before such negotiations had become official diplomatic agreements. Despite the merits of international monetary expansion indicated by theorists and by market responses, efforts to establish some form of international bimetallism failed because of the entrenched ideology favoring the gold standard and the rapidly deteriorating balance of power among the imperial nation-states of Europe.

Innovations and Implications

The most significant innovation of this study has been to more thoroughly embed the rise and fall of international bimetallism in the broader global historical context marked by rapid globalization, worldwide financial volatility, and the rise of national economic responses to these changes—protectionism and imperialism. Without doubt the deflationary pressures felt throughout the global economy after 1873 contributed to local economic distress, which in turn intensified political agitation among those clamoring for relief through protectionism, imperialism, and monetary expansion. In other words, the changes wrought by nineteenth-century globalization hastened the rise of economic nationalism. With this global economic state of affairs, larger economic areas with protected home markets and access to cheap resources seemed more able to

maintain a positive balance of trade, offsetting exposure to global conditions. But the gold standard, in particular, strained relations between the great powers in explicit ways. The operation of an international gold standard set up a zero-sum game among gold standard countries to retain sufficient reserves for successful monetary operations. The gold standard, thus, politicized gold purchases, which were closely watched by financial markets and foreign ministries alike in late nineteenth-century Europe. In addition, the popular awareness of gold scarcity shaped disputes over territories with significant gold discoveries. In South Africa, the geopolitics of gold heightened tensions between Great Britain and Germany during the Boer War; in Venezuela and the Yukon, such disputes led to local violence, war scares, and eventually arbitration between Britain and the United States. In multiple ways, therefore, the exigencies of an emerging international gold standard created a logic favoring protectionism, imperialism, and monetary conflict among the leading economic powers.

The extended campaign for international bimetallism carried out by a growing transnational network of monetary theorists, policy experts, and financial operators was animated by a spirit of economic internationalism—one most often associated with the pacifying vision of an open world economy. However, these efforts arrived at a moment when the axioms of free trade, *laissez-faire*, and the gold standard had become pillars of conservative thought. The monetary experts that advocated international bimetallism saw a proposed international accord as a means to relieve the deflationary conditions that were moving the world increasingly toward economic nationalism after 1870.

For this group of economists, financiers, and statesmen, international bimetallism represented a process of rationalization that paralleled many of the strands of internationalism that appeared in the late nineteenth-century—coordinated efforts for international arms control agreements or the diffusion of a uniform international system of weights and measures, for example.⁵ In this case, what needed rationalization was the system which determined prices, exchange rates, and credit throughout the commercialized world. Advocates of international bimetallism were attempting to rescue the kind of economic internationalism that had defined the British world order at midcentury.

In these efforts, ironically, they most often fought to save that international economic system from its chief architects, the political classes of Britain, who remained animated by entrenched sentiments favoring the gold standard. By the time proposals for some form of international monetary agreement gained a legitimate foothold there, the geopolitics of imperial rivalry encroached to thwart any monetary progress. The failure of US diplomatic efforts to establish international bimetallism left in place the deflationary pressures imposed on the global economy by the gold standard until the late 1890s, when gold discoveries in the Transvaal and the Yukon provided exogenous monetary relief and removed the impetus for further diplomacy.

Despite the ultimate failure of US monetary diplomacy, these efforts represent notable developments in the history of US foreign relations. On the most basic level, the

⁵ For the history of internationalism, see Mark Mazower, *Governing the World: The History of an Idea* (New York: Penguin, 2012).

long-term pursuit of an international monetary agreement on the part of the United States highlights the fact that exposure to global economic conditions continued to shape American foreign policy. Despite the claims of skillful and well-positioned boosters of expanded American economic and geopolitical power like Secretary of State James G. Blaine, the United States late into the nineteenth century still depended on the markets and investment capital of Europe in ways that constrained foreign policymaking. Restoring, maintaining, and expanding that commercial relationship—with Britain in particular—was the animating line that ran through the American pursuit of international bimetallism. If Britain would enter a monetary agreement, the United States, in the minds of policymakers, could gain some monetary relief from economic conditions without threatening the foreign credit flowing to public and private institutions in the United States.

If American efforts to change British gold standard policy never succeeded in its primary objective, they did provide the opportunities for mutual confirmation of the importance of the transatlantic commercial relationship and the principles of financial orthodoxy. Especially in the 1890s, when the parties of financial orthodoxy on both sides of the Atlantic recaptured executive power, the extended negotiations over an international monetary agreement anticipated many of the points of shared interest that would come to define Anglo-American rapprochement in the two decades after 1895.

The diplomatic struggle over the gold standard and the search for viable alternatives are also notable developments in the larger narrative of the global history of the late nineteenth century. The most prominent feature of this period was the first

appearance of cracks in a British world order defined by an open economy and the ascendancy of a fractious and multilateral imperial world order defined by increasingly protected economic blocs. The extended campaign for international bimetallism represented not only US national interests but also the ambition on the part of bimetallic advocates from all countries to manage the economic distress imposed by aspects of globalization, in general, and by the monetary policy that prolonged deflationary conditions, in particular.

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